



Daily Report

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General

Envoy Urges 'Complete' Stop to Nuclear Race
OW231258 Beijing XINHUA in English 1243 GMT
23 Feb 88

[Text] Geneva, February 23 (XINHUA)—The complete prohibition and destruction of nuclear weapons would require not only drastic quantitative reductions of nuclear weapons, but also the halting the qualitative nuclear arms race, a senior Chinese official said here today at the international nuclear disarmament conference.

Fan Guoxiang, China's ambassador for disarmament affairs, told the 40-nation conference on disarmament that while the United States and the Soviet Union had signed the treaty on the global elimination of their intermediate- and shorter-range missiles, and are negotiating an agreement on the 50 percent reduction of their strategic nuclear weapons, people all over the world are still concerned about halting the qualitative development of their nuclear arsenals.

"The two sides are still locked in a race to upgrade their nuclear weapons, making them highly accurate, more difficult to observe and more mobile, to enhance their ability to penetrate and survive," he said.

He called on the United States and the Soviet Union to "truly" stop the nuclear arms race, both quantitatively and qualitatively.

"It is our view that the United States and the Soviet Union should first of all conclude an agreement on the 50 percent reduction of their strategic nuclear weapons as soon as possible, and at the same time take steps towards the complete prohibition of chemical weapons, conventional disarmament and the prevention of an arms race in outer space," Fan said.

He added that this will create positive conditions for the convening of a broadly representative international conference on nuclear disarmament, with the participation of all nuclear states, to discuss steps towards further nuclear disarmament and the ultimate total destruction of nuclear weapons.

Fan pledged that China would not "shirk its due responsibilities" for realizing the complete prohibition and destruction of nuclear weapons.

GATT Most-Favored-Nation Treatment Sought
OW232002 Beijing XINHUA in English 1921 GMT
23 Feb 88

["China Seeks Most-Favored-Nation Treatment by GATT"—XINHUA headline]

[Text] Geneva, February 23 (XINHUA) — A Chinese official told the General Agreement on Tariffs and Trade (GATT) on Tuesday that, with the resumption of its membership in GATT, China expects to be accorded the most-favored-nation treatment by GATT.

Shen Jueren, assistant minister of foreign economic relations and trade of China, noted that his country also hopes to gain the status of preferential treatment for developing countries prescribed by GATT.

Shen made the remarks at a two-day meeting of a GATT's working group, which is urged to consider China's request for returning to GATT.

China was an original founding member of GATT in 1947 and withdrew from it in 1951. Last year, China formally applied for readmission to GATT.

During the meeting, the Chinese delegation headed by Shen will brief the delegations from contracting parties on China's economic reform and open policy and answer questions related to China's economic and trade systems.

With the resumption of its membership in GATT, Shen noted, Chinese enterprises could equally participate in international competition with their competitors so as to facilitate the process of China's economic and trade reforms and the expansion of trade between China and other countries.

GATT currently has 96 contracting parties, as member states are called, plus 29 countries observing its free trade rules on a de facto basis.

Most of the 96 member states of GATT are market economies while China is forming a new system in which, as a Chinese delegate put it, "the state regulates the market and the market guides enterprises."

Many countries have shown interest in what conditions China will be accepted and how China's economic and trade structure can be brought in line with the GATT system.

In his speech to the meeting of the GATT's working group, Shen said that the economic restructuring was a profound and unprecedented reform, with its accomplishment requiring considerable courage and China's specific conditions taken into account.

He hoped that all contracting parties would recognize the drastic changes for the past nine years and look at China's economic and trade reforms from an (evolving) perspective in China's present situation.

"This reform process would eventually bring China's economic and trade structure in line with the GATT system," he told the delegates.

The Chinese Government has expressed its willingness to enter into substantive negotiations with contracting parties on the resumption of its GATT membership on the basis of tariff concessions, and invitations for negotiations on tariff concessions will be extended at an appropriate time, Shen said.

United States & Canada

NPC's Peng Chong Meets U.S. Businessman *OW231250 Beijing XINHUA in English 1221 GMT* 23 Feb 88

[Text] Beijing, February 23 (XINHUA)—Peng Chong, vice-chairman of the Chinese National People's Congress Standing Committee and chairman of the Council of the China International Culture Exchange Center, met and hosted a dinner for George Soros, a noted U.S. financial entrepreneur, here tonight.

U.S. Economy To Slow Down in Coming Months *OW231200 Beijing XINHUA in English 1119 GMT* 23 Feb 88

["Round-Up: U.S. Economy To Slow in Coming Months (by Xia Zhaolong)"]—XINHUA headline]

[Text] New York, February 22 (XINHUA)—After more than five years of uninterrupted expansion, the U.S. economy is now flirting with a downturn.

In the president's annual economic report released on Friday, the U.S. Government set the official growth rate for 1988 at 2.4 percent, far below the 3.8 percent pace registered last year.

Commenting on the unsettling situation, President Ronald Reagan said, "the prospects for growth in the immediate future have been diminished somewhat by last year's plunge in the stock market, as well as by the increase in interest rates and tightening of monetary policy during 1987."

The explanation is certainly true, but many economists say it understates the troubles that are going to plague the country.

One problem, they say, is the slow-down in the manufacturing industry, the linchpin upon which the Reagan administration based its forecast that the economy can keep expanding throughout this year.

Statistics indicate that brisk production and depressed consumer spending following the mid-october stock market crash built a huge inventory worth more than 58 billion dollars in the final three months of last year.

It may take months to work off unsold products lying in factories, warehouses or retail shops. This entails production cuts and lay-offs in the months ahead. Chrysler Corporation, for example, has announced a plan to dismiss 5,500 workers. First-quarter car production in the country has been reduced to the lowest level in five years.

According to the labor department, job creation in the nation's factories, mines and utilities tapered off in January when new jobs rose by only 25,000, compared with the monthly average increase of 60,000 during the second half of 1987.

For the last quarter of 1987, manufacturing employment grew 4.4 percent on an annualized basis and the rate may drop by 2.5 percent this year, according to some estimates.

Industrial output was up only 0.2 percent in January, down half from the previous two months.

Housing construction, a major sector in the economy, sagged to the lowest level since the country's 1982 recession.

The second factor that may drag the economy down is the country's exports, another linchpin in the government's sanguine projection for decent growth this year.

Spurred by the 50-percent devaluation of the dollar over the past three years, U.S. trade began to turn the corner last year in terms of export volume, though it still witnessed a record deficit of 171.2 billion dollars.

For 1987, the country's exports rose 11.4 percent, while imports were up by 10.7 percent.

An undervalued dollar makes exported U.S. goods cheaper, and imported products more costly.

The question now is whether the export-driven business can pick up further momentum. Some economists are skeptical of this.

In an interview with XINHUA, Irwin Kellner, chief economist of the Manufacturers Hanover Trust Company, said "the growth in exports cannot be expected to equal that of last year because export industries are operating at top rate speed." For instance, paper mills are running at 96 percent, textiles at 94 percent, steel at 91 percent, and aerospace and plastics are all running high, Kellner said.

"They cannot run any faster this year," he added.

Moreover, it would be difficult for American producers to find buyers in the face of the worldwide business slump. Europeans are beset with sluggish growth prospects, Latin Americans have to save to pay their debt and the Japanese do not buy much from the U.S., he argued.

It is generally agreed that the U.S. trade imbalance is likely to ease somewhat this year, but it alone cannot do much to boost the economy.

The reasoning for a less rosy and anemic prediction gained more support earlier this month when the government reported that the index of leading indicators dropped in december for the third straight month.

The index, which was established in 1948, is designed to gauge economic trends in the coming months. A fall for three consecutive months often implies a possible recession.

Most economists take this as a clear signal that a significant downturn is ahead. Some expect little or no growth in the first half of this year. The economy may gather steam in the later half of the year and muddle through without a recession.

Allen Sinai, chief economist at the Boston Company, a New York investment firm, said that the U.S. economy "is wending down, with increasing chances of a recession. The issue is when, not whether, perhaps in 1988, but more probably in 1989."

Outlook for U.S. Construction Industry 'Mixed'
OW231130 Beijing XINHUA in English 1030 GMT
23 Feb 88

["Mixed Outlook for U.S. Construction Industry (by Zhao Zijian)"—XINHUA headline]

[Text] Washington, February 22 (XINHUA)—The U.S. Commerce Department believes that the American construction industry is entering into a period of mixed performance, but the general tendency is toward continued expansion.

According to the latest issue of CONSTRUCTION REVIEW, a bimonthly department report, the current dollar value of firms in the construction industry reached a record 397 billion dollars last year, compared to 388.8 billion dollars in 1986.

The number of housing starts declined 11 percent to 1.63 million units, but the value of residential construction increased slightly because of a marked gain in average house size and an increase in home improvement spending.

Private nonresidential construction, in constant dollar terms, dropped 8 percent last year, and this was attributed to excess capacity in commercial buildings and industrial facilities, as well as to the repeal of several benefits in the 1986 tax reform act.

According to the review, the value of new construction last year was approximately 8.9 percent of the country's gross national product, much higher than the cyclical low of 7.7 percent in 1982, but well below the post-war peak of 11.9 percent in 1966.

Construction employment rose 4 percent in 1987 to an all time high of 5.1 million, and the industry remained one of the highest paying in terms of average hourly and weekly earnings.

From 1980 to 1986, the share of international contracts won by U.S. firms declined from 41 percent to under 31 percent, and foreign construction companies began making great inroads into the U.S. Market. Most foreign firms entered the U.S. construction market by buying American construction companies. They won about 7.6 billion dollars in U.S. construction contracts in 1986, up from 3.6 billion dollars in 1982.

Because of record foreign investment in the U.S., an increasing share of U.S. construction projects is being built for foreign owners. Foreign direct investment in the U.S. is chiefly in manufacturing facilities, warehouses, office buildings and hotels.

The review said construction values this year will be about the same as in 1987, but some categories, including home improvements, manufacturing facilities, hospitals, schools, and water and sewer systems etc., appear promising while apartments, office buildings, hotels and other commercial buildings look weak.

It said the number of housing starts will decline further to slightly fewer than 1.6 million units, but the value of residential construction will remain largely unchanged.

Soviet Union

Soviet Army Day Anniversary Celebrations Held

USSR's Yazov Discusses Issues
OW231348 Beijing XINHUA in English 1338 GMT
23 Feb 88

[Text] Moscow, February 22 (XINHUA)—The Soviet Union will withdraw its SS-12 medium-range nuclear missiles from the German Democratic Republic and Czechoslovakia beginning late in February, Soviet Defense Minister Dmitriy Yazov said today.

Speaking at a Kremlin reception to mark the 70th anniversary of the founding of the Soviet Army, Yazov said the Soviet OTR-22 (the Soviet designation for the SS-12) missiles and launchers to be withdrawn will be sent immediately to sites where it is planned to liquidate them after ratification of the intermediate range nuclear forces treaty.

The INF treaty was signed by U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev during their Washington summit last December.

Yazov also said that his country has not added to its ground forces in the Far East for a number of years, and that it has reduced the number of its troops stationed along the Soviet-Chinese border and withdrawn some

forces from Mongolia. The minister added that the Soviet Union is displaying restraint in conducting military exercises, not increasing their number and scope.

According to Yazov, positive changes in Soviet-Chinese relations are an important factor in promoting normalization of the situation in the Asian-Pacific region.

On the Afghanistan issue, Yazov stressed that Soviet leader Mikhail Gorbachev's February 8 statement offering to withdraw Soviet forces is of great significance.

While expressing his gratification with changes for the better in international affairs, the minister said the Soviets are concerned by attempts of "imperialist reactionary clique" to nullify the results of the Washington summit and to accelerate the "star wars" program.

PLA Official Attends Reception

*OW231234 Beijing XINHUA in English 1220 GMT
23 Feb 88*

[Text] Beijing, February 23 (XINHUA)—O.A. Troyanovskiy, Soviet ambassador to China and Col. R.N. Proskurnin, military attache held a reception at the embassy here this afternoon in celebration of the 70th anniversary of the Soviet Army and Navy.

Among the guests was He Qizong, deputy chief of General Staff of the Chinese People's Liberation Army.

Soviet Soldiers Lauded

*OW240024 Beijing XINHUA in English 1546 GMT
23 Feb 88*

[“Soviet Soldiers Who Died for China Honored”—XINHUA headline]

[Text] Beijing, February 23 (XINHUA) — Soviet soldiers killed in action in China during the Second World War were honored today on the occasion of the 70th anniversary of the founding of the Soviet Red Army.

Wreaths were placed at tombs and monuments in various parts of the country by local governments and branches of the Sino-Soviet Friendship Association.

Northeast Asia

Pact Signed With Japanese Insurance Bank

*OW231158 Beijing XINHUA in English 1105 GMT
23 Feb 88*

[Text] Beijing, February 23 (XINHUA)—An agreement on friendly cooperation between the Bank of Communications and the Japanese Yasuda Fire and Marine Insurance Co. Ltd was signed here recently, XINHUA learned today.

According to the agreement, both sides will exchange technology and information in the field of insurance business and send delegations to each other's institutions for training.

The Bank of Communications was the first in China to be allowed to conduct insurance business, and Yasuda Fire and Marine, with a history of over 100 years, is the first foreign financial institution the bank has cooperated with in insurance.

Apart from the routine business of depositing, crediting and accounting, the Bank of Communications also conducts foreign exchange transactions and joint loans with other foreign banks and international banking groups.

The Bank of Communications now has established cooperation relations with 126 overseas financial institutions in a dozen of countries.

Southeast Asia & Pacific

Philippines Ban Official Visits To, From Taiwan

*HK240523 Beijing International Service
in Tagalog 1130 GMT 24 Feb 88*

[Text] President Corazon Aquino has issued an order prohibiting government officials from visiting Taiwan and banning Taiwanese officials from visiting the country.

The Department of Foreign Affairs emphasized that the order is in line with the government's aim of implementing its one-China policy.

West Europe

Ulanhu Receives Icelandic Envoy's Credentials

*OW240510 Beijing XINHUA in English 0236 GMT
24 Feb 88*

[Text] Beijing, February 24 (XINHUA)—Bendikt Grondal, new Iceland ambassador to China, presented his credentials to Chinese Vice President Ulanhu at the Great Hall of the People here today.

Grondal arrived here February 22.

Party Delegation Leaves for North European Tour

*OW231352 Beijing XINHUA in English 1334 GMT
23 Feb 88*

[Text] Beijing, February 23 (XINHUA)—A Chinese Communist Party delegation left here this evening for friendly visits to Sweden, Norway and Finland.

Led by Li Shuzheng, alternate member of the CPC Central Committee and deputy head of the International Liaison Department of the CPC Central Committee, the delegation was invited by the Swedish Social Democratic Labor Party, the Norwegian Labor Party and the Finnish Social Democratic Party.

San Marino Leaders Arrive in Beijing

*OW240840 Beijing XINHUA in English 0829 GMT
24 Feb 88*

[Text] Beijing, February 24 (XINHUA)—Captains Regent (heads of state) Gian Franco Terenzi and Rossano Zafferani of the Republic of San Marino, arrived here this morning for a six-day official goodwill visit to China at the invitation of Chinese President Li Xian-nian.

The guests were greeted at the airport by Zhou Nan, Chinese vice-minister of foreign affairs.

President Li is scheduled to host an official welcoming ceremony for the visitors this afternoon.

Afghan Diplomat to Italy Said To Defect

*OW240106 Beijing XINHUA in English 1542 GMT
23 Feb 88*

[Text] Rome, February 23 (XINHUA)—Mohamed Nazir Fedaiy, the Afghan charge d'affaires representing the Kabul regime in Rome, has defected, Italian newspapers reported here today.

A note was sent yesterday from Kabul to the Italian Foreign Ministry stating that Fedaiy would no longer represent its office in Rome, according to the newspaper reports.

Fedaiy, 43, left the embassy with his wife four days ago and hasn't appeared since. It was reported that the diplomat and his wife had left Italy for an unknown destination.

The defection by Fedaiy, who came to Rome last May, is regarded as one of the most sensational events involving the Kabul regime and its major diplomatic agencies abroad.

State Council Restricts Purchasing Quotas
OW240004 Beijing XINHUA Domestic Service
in Chinese 1252 GMT 23 Feb 88

[Text] Beijing, 23 Feb (XINHUA)—A State Council plenary meeting chaired by acting Premier Li Peng today heard a report given by State Councillor and Foreign Minister Wu Xueqian on the current international situation. The meeting also discussed issues concerning strict control of social groups' purchasing quotas, and made arrangements for all ministries and commissions to discuss the "Government Work Report" (script for discussion) the State Council will submit to the First Session of the Seventh National People's Congress.

The meeting today discussed and adopted the "Emergency Circular of the State Council on Strictly Controlling Social Groups' Purchasing Quotas and Curtailing Expenditures." The circular says that the 1988 group purchasing quotas of all party and government organs, mass organizations, military units, and state- and collectively-owned enterprises as well as capital construction units shall be cut by 20 percent on the basis of 1987 expenditures. It says that the cut must be carried out at all levels without fail.

The circular notes: In recent years the State Council has time and again instructed that social groups' purchasing quotas should be controlled and expenditures should be curtailed. However, certain local authorities, departments, and units have ignored the orders and prohibitions and their purchasing power continued its excessive growth. The group purchasing power in 1987 far exceeded that year's production growth. Not only has this worsened the contradiction between supply and demand and increased pressures on the market and expenditures, but also encouraged extravagance and waste. We must therefore firmly control group purchasing power by means of effective measures.

Present at today's meeting were Vice Premiers Yao Yilin and Qiao Shi, State Councillors Fang Yi, Ji Pengfei, Zhang Jingfu, Wang Bingqian, Song Ping, and Song Jian, as well as leading members of various ministries and commissions under the State Council.

Bo Yibo, vice chairman of the Advisory Commission of the CPC Central Committee, and leading members of relevant departments of the CPC Central Committee, attended the meeting as observers.

State Council Urges Eliminating Illiteracy
OW240940 Beijing XINHUA in English 0926 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—The State Council has called for a nationwide campaign to basically do away with illiteracy in China within five years.

A circular issued by the State Council said that the current cultural and economic development sets increasingly higher demands on workers. Therefore, effective measures should be taken by governments at all levels to accomplish the historic task of illiteracy elimination.

According to regulations governing the work promulgated by the State Council, the campaign is mainly directed at illiterates and semi-illiterates between the ages of 15 and 40.

It requires a peasant illiterate to learn at least 1,500 characters, and industrial workers and urban residents to grasp 2,000 characters.

This will allow them to read newspapers and simple articles, do basic accounts and write simple practical essays, the regulations say.

Certificates will be issued to those who reach the basic standards.

The target in the next five years is to ensure that over 85 percent of the total population in rural areas and over 90 percent in enterprises, institutions and cities between the ages of 15 and 40 are literate.

Zhao Ziyang Inspects Daya Bay Site 19 Feb
HK240058 Hong Kong TA KUNG PAO in Chinese
24 Feb 88 p 3

[Report: "Zhao Ziyang Visits Daya Bay"]

[Text] According to a report from Shenzhen, CPC Central Committee General Secretary Zhao Ziyang inspected the Daya Bay nuclear power plant site in Shenzhen on the afternoon of 19 February. He pointed out that the plant must be built and managed well.

While at the plant, Zhao Ziyang heard a report delivered by the general manager of the Guangdong Nuclear Power Joint Venture Company Ltd and viewed construction of the nuclear piles, the wharves, the sea defenses, and the experts' housing area.

Accompanying Zhao Ziyang on his inspection were Jiang Xinxiong, minister of nuclear power, who is now in Shenzhen; Lin Ruo, Guangdong Provincial Party Committee secretary; Kuang Ji, Guangdong vice governor; Li Hao, Shenzhen City Party Committee secretary and mayor; and Wang Jinguo, chairman of the board of the Guangdong Nuclear Power Joint Venture Company Ltd.

Accompanied by Tian Jiyun, Zhao Ziyang arrived in Shenzhen from Zhuhai on the morning of 18 February. He concluded his inspection of the Shenzhen Special Economic Zone on 20 February.

Leaders Attend PLA Spring Festival Gathering
HK241116 Beijing RENMIN RIBAO in Chinese
16 Feb 88 p 4

[Report by Zhang Dongwen (1728 2639 2429) and Yang Yongge (2799 3057 7245): "Chi Haotian Attends Spring Festival Mass Greeting Gathering of the PLA General Staff Headquarters"]

[Text] Beijing, 15 Feb (RENMIN RIBAO)—This afternoon, Central Advisory Commission Standing Committee member Yang Dezhi; Chief of Staff Chi Haotian; Deputy Chiefs of Staff Xu Xin, Xu Huizi, Han Huaizhi, and He Qizong; and other leading comrades joined a Spring Festival mass greeting gathering organized by the PLA General Staff Headquarters attended by more than 1,100 retired cadres and comrades from various organs. They watched literature and art performances and extended to each other greetings for the Year of the Dragon.

On behalf of the General Staff Headquarters, Chi Haotian extended New Year's greetings to all the comrades of the General Staff Headquarters. Quoting a verse by Xie Lingyun, a poet of the Northern and Southern Dynasties: "New Year sweeps away all outmoded habits, and old things are replaced by new ones," Chi Haotian emphasized: With the arrival of the new year, we must get rid of old concepts and adopt new ones, forsake or change those old thought processes and working habits that fail to meet the needs of the reform, and thus bring about new improvements of the work of the General Staff Headquarters.

Chi urged the General Staff Headquarters to take the lead in fulfilling the appeals of the CPC Central Committee and the Military Commission, to run the Army strictly, work hard, and launch the drive of double increase and double economy in breadth and depth. This spirit must not only be upheld during the Spring Festival season but also in all kinds of work in the future, he said.

Yang Shangkun Addresses PLA Units in Zhuhai
OW231350 Beijing XINHUA in English 1332 GMT
23 Feb 88

[Text] Zhuhai, February 23 (XINHUA)—People's Liberation Army troops and armed police units should cultivate closer ties with the people and play an active role in building the local economy, one of China's top military leaders has said.

Yang Shangkun, vice-chairman of the Central Military Commission, was speaking to leaders of Army and armed units in Zhuhai Special Economic Zone, Guangdong Province, Sunday.

He called on the troops and armed police units to be vigilant in their duties guarding China's south gate and to make new contributions to the ongoing economic reforms.

Ministry Foresees More Financial, Tax Reforms
OW240902 Beijing XINHUA in English 0643 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Taxes now account for more than 80 percent of China's state revenue, compared with only 46 percent in 1978, the Ministry of Finance told XINHUA today.

"Taxation has become an important lever in regulating China's economic development, and a key way of increasing state revenue," a senior ministry official said.

"Because of the past nine years of reform, China is now trying out a multi-tax system with circulating fund and income tax as the main components, changing the country's former single tax structure," the official explained.

The new system has promoted economic development, accelerated production, increased the state financial resources and raised the standard of living, he said.

Since 1979, China's financial departments have assumed the policy of delegating the financial distribution power to the localities, departments and enterprises, and now allow enterprises to retain a larger percentage of their profits to encourage even more economic development.

Last year, state revenue in the national budget was twice the 1978 figure, while income in addition to the budget was five times that of 1978.

Last year, state-owned enterprises retained 48.9 billion yuan (about 13.2 billion U.S. dollars), or 42 percent of the profits earned. By comparison, in 1978, enterprises kept only 3.7 percent of their profits. In addition, some enterprises retained more than half of their profits because they are now allowed to use before-tax profits to repay loans.

As a result, enterprises have more money to upgrade technology, and are more active in marketing, competition and profit-making.

According to ministry statistics, in 1986, local revenue hit 110.7 billion yuan (about 29.9 billion U.S. dollars), or more than half the state budget revenue for the same year, and financial departments at all levels nationwide have earmarked a lot of money to support the country's wage, price and overall economic reforms.

In the past nine years, more than 400 billion yuan (about 108 billion U.S. dollars) was spent on developing agriculture, science and education, energy and communications, and more than 600 billion yuan (about 162 billion U.S. dollars) was used to raise the price of agricultural products, find jobs for unemployed, raise government workers' salaries, subsidize grain and foodstuffs and build urban housing.

"These changes in financial and tax system reform have created a sound base for better overall macro-control of the country's financial and tax systems," the official said.

Many problems still have to be solved, like differences in income, over-decentralized funds, over-blown capital construction, excessive consumer spending, too much group purchasing and tax evasion, the official added.

"Reforming China's financial and tax systems will be a long process," he said.

"There has to be more financial control," the official warned, "and there needs to be more legislation worked out to define and clarify the country's tax policies."

A financial credit system, a national debt management system and a system to manage state-owned assets are all changes responsible for speeding China's financial and tax system reform, the official said.

Official Urges Stability in Marketplace
OW240050 Beijing XINHUA in English 1514 GMT
23 Feb 88

[Text] Beijing, February 23 (XINHUA)—China must develop its agricultural sideline production if current economic and political reforms are to be carried out smoothly, a government official says.

"It is urgent and imperative for us to improve the supply of nonstaple foods like vegetables, eggs and pork, aquatic products, and fruit in urban markets," Zhan Wu of the State Commission for Restructuring the Economy said in the latest issue of the "FINANCIAL TIMES."

Zhan said supplies have to be increased to stabilize prices and unless that happens a stable political situation cannot be achieved.

Stabilizing price does not mean freezing prices, he said. Rather it means keeping price hikes in check.

Zhan disagreed that China, as a developing country, has to have inflation to improve its economy. "It does not accord with the country's real condition," he said.

He noted three periods of rapid economic development in 1950, 1962, and 1981 occurred during times of stable prices.

The Central Government has decided on a policy this year to cut spending, credit, and investment.

Statistics Bureau Official on Economic Gains
OW232337 Beijing XINHUA Domestic Service
in Chinese 1349 GMT 23 Feb 88

[By reporter Li Niangui]

[Text] Beijing, 23 Feb (XINHUA)—Zhang Zhongji [4545 6988 1015], spokesman for the State Statistics Bureau [SSB], said today that 1987 was a year of exceptional success in economic construction and reform. He said: The development of China's economic construction and reform continued steadily, growth in total social supply accelerated, rising social demand was controlled, and the foreign exchange situation noticeably improved.

At a news briefing SSB sponsored here to release the "Communique on 1987 National Economic and Social Development Statistics," the spokesman briefed Chinese and foreign reporters on the following 1987 achievements in economic construction and reform:

— The growth in total social supply was fairly rapid. Instead of fluctuating widely, industrial output increased in a balanced and coordinated manner. Light and heavy industries particularly became more proportional and rationally structured. Notable was the increase in electricity and support-agriculture industrial goods, formerly two weak links in the heavy industrial sector. Development was seen in all rural economic sectors. By the end of 1987, over one-fifth of the rural manpower had been transferred to various nonagricultural sectors, and for the first time the total value generated by industrial production, construction, transportation, and commercial services in rural areas exceeded that generated by agricultural production.

— Economic returns were greater. In 1987, the nation's state-owned industrial enterprises operating with state budgets delivered 9.9 percent more profit and taxes to the state than in 1986, the turnover period of working capital was 3.7 days shorter, and productivity increased 7.6 percent. State-operated commercial enterprises and supply and marketing cooperatives were also able to cut expenditures. Compared with 1986, the cost of selling every 100 yuan of goods was 1.4 percent less, profits increased 6.4 percent, and the turnover period for working capital was 17 days shorter.

— Tertiary industry continued to develop. Thanks to technical improvement in transportation, postal and telecommunications departments, more freight was carried by vehicles of all descriptions. The domestic market thrived, foreign trade continued developing, and the ratio of imports to exports was more reasonable.

— The scale of construction was curtailed and the investment structure was readjusted. Investment in fixed assets by state-owned enterprises exceeded the 1986 level

by 14.4 percent, the lowest increase since 1984. Compared with other investment projects, more money was invested in such fundamental industries as energy development and production of raw and semifinished materials.

— While income gains slowed for urban and rural residents, most people consumed and saved more. Polls taken in urban and rural areas showed that each member of an urban family was able to spend 916 yuan on living necessities, or 1.7 percent more than in 1986 after adjustment for inflation. The net income of each peasant was 463 yuan, an adjusted increase of 5.3 percent. Improvements were noted in urban and rural housing conditions, and in medical, commercial, and public services. Toward the end of the year, urban and rural savings exceeded 300 billion yuan.

— Reforms continued to deepen. Last year China achieved fairly good results in reforming its macroeconomic regulatory mechanisms. Enterprise reform began to emphasize support of the internal operative mechanisms, including popularization of all kinds of experimental contract systems. Lateral economic ties were expanded, linking various regions into coordinated networks. Markets of production means were expanded, the technology market thrived, and rural reforms continued to develop.

According to the SSB spokesman, the principal issue of China's economic development was excessive commodity price increases, which caused an actual decrease of income of some urban residents. The spokesman believed that, guided by the principle of "stabilizing the economy and deepening reforms," the nation's economy would continue to develop steadily.

The spokesman also answered questions by Chinese and foreign reporters.

Journal on Separating Government, Enterprises
HK240941 Beijing JINGJI GUANLI in Chinese No 1, 1988 pp 42-43

[Article by Zhang Guisheng (1728 2710 3932): "The Basic Avenues for Separating Government and Enterprises"]

[Text] The deeper development of economic structural reform urgently requires that we put in order the relationship between the government and enterprises and realize the separation of government and enterprises. Opinions vary as to how this separation of government and enterprises is to be realized. I believe there are four basic avenues:

1. Separating government and enterprise functions. The separation of government and enterprises is basically a problem of how the power structure is to adapt to the commodity economy. The basic element of the power structure is the determination of functions, while the

number of functions and the quality of their execution is often directly related to the size and the strength of the power. Thus, in realizing the separation of government and enterprises, it is necessary to rationally divide the functions of government from those of the enterprises to first achieve a separation of government and enterprise functions. Considering the problem of government economic management organs taking on all the functions of party tasks, administration, social work, production operations, and industry management, I believe that there is an urgent need to eliminate all the functions by which the government directly manages enterprises, and replace these with indirect management functions. Therefore the specific functions of the government in managing the economy should be: Rationally using of government power in macroeconomic control areas such as banking, financial, taxation, and pricing to fully bring into play the role of economic levers in promoting the development of commodity production; controlling and regulating overall social demand, stipulating and implementing national economic plans, researching and formulating economic development strategies, formulating economic laws and economic policies, and using these to safeguard market competition and arbitrate economic disputes in market competition; through necessary administrative intervention and economic measures, creating a fair and rational environment for market competition; providing social service for enterprises' production and circulation; and safeguarding consumers' interests and helping enterprises to establish a socialist operational ideology. After setting down the above-mentioned functions of the government in indirect management of enterprises it will be necessary to: Gradually reduce or even end the vertical administrative leadership relationship between the government and enterprises; greatly develop lateral cooperation and economic relationships; allow enterprises to organize their own production operation activities in accordance with the principles of economic rationality and independent decisionmaking; and hand over all those powers relating to enterprise production decisionmaking to the enterprises. The enterprise power structure will naturally derive from the enterprise functions, and will mainly involve them taking their own decisions in terms of operations, free competition, self-development, conscious contribution, and so on.

2. Separating government and enterprise interests. Clearly demarcating the interests relationship between the government and enterprises is the key to achieving the separation of government and enterprises. This is because under commodity economy conditions, whatever any enterprise, social group, or organ of political power strives for in its activities is closely related to the demands of its own interests. Prior to the reforms the government economic management organs exercised, in various respects, overall direct control of enterprises. This was in the end, the result of the unitary state interests concept. The need to be "large in size and collective in nature" restricted or eliminated the enterprise's pursuit of their own interests. This meant that

enterprises were appendages of government and it was naturally impossible to separate government and enterprises. Today, if enterprises are to become relatively independent commodity producers and operators, they need to be rid of the direct control exercised by the government, they must establish interests mechanisms which are of benefit to enlivening the enterprises, and they must take some of the interests, which formerly all belonged to the state, for the enterprise itself. That is to say, some of the enterprise's interests should be directly left with the enterprise. In realizing this aim the basic measure is the separation of taxation and profits and the adoption of different channels for delivering them. The levying of taxation is a measure and major avenue by which the state, using its political power, participates in the distribution of national income so as to obtain state interests. The payment of taxes is an obligation and basic responsibility of enterprises in guaranteeing the normal functioning of the state apparatus and in making a contribution to the state. "Profit" is the distribution of profits among the asset owners and operators after tax has been paid. In actual practice, we can divide the interests as follows: State (represented by the government) interests, mainly including taxation revenue and the remuneration handed over by the enterprises to the state as the owner of state assets, namely rent, interest and dividends; and enterprise interests, being that portion of after-tax profits which belongs to the enterprise. As to the earnings from newly-added assets which an enterprise has purchased with its own funds or funds which it has raised, all, or the majority, should remain with the enterprise. The separation of government and enterprise interests will on the one hand allow the establishing, in terms of an interests relationship, the relationship between the government and enterprises. It will also ensure the enforcing of taxation laws and the stability of the state's financial income. As far as enterprises are concerned they will be relatively freed from the restrictions of the government's interests and will gain a guarantee of independent decisionmaking interests. This will further strengthen their capacity for accumulation, growth, and self-development.

3. Separating ownership of assets and management rights. The separation of asset ownership and operating rights is a prelude and condition for the separation of government and enterprises. This is an acknowledged fact. However, the degree of clarity of the "separation of the two powers" is insufficient. That is to say there still exists overlapping and obscure factors, resulting in a hazy and blurred situation. The government, as the owner of whole-people assets, proceeds from the demands of its interests. Thus it is still difficult to avoid administrative intervention in terms of enterprises' operational rights. For example, a purely financial administrative viewpoint weakens enterprises' efforts to maximize profits and make long-term arrangements. Excessively stressing a restrictive mechanism for enterprises and overlooking the perfection of a motivation mechanism for enterprises' operations will mean that the government, in disputes about enterprise production

and operation activities, will have no way of extricating itself. The reason is very simple. It is because the government, as the owner of the assets and in order to safeguard the owners' rights and interests, will inevitably directly and continually have dealings with the asset operators—the enterprises. As the government occupies a commanding and special position, in its contacts with enterprises the situation whereby it relies on orders and intervenes administratively is difficult to avoid. This shows that if we want to achieve a complete separation of government and enterprises, not only must the government be separated from the operators, but the government's position as owner of whole-people assets must be broken down. That is, there must be separation of asset ownership and asset management power. The best form which can be adopted is the establishment of whole-people asset management organs, which are entrusted by the government to exercise the power of management over whole-people assets. They will for example carry out government investment, guarantee the safety and growth of whole-people assets, safeguard the due interests of the owners of whole-people assets, and so on. The benefits of doing things in this way are: 1) They can guarantee that the government's ownership of whole-people assets is not infringed upon and, on the organizational level, can separate the government's social and economic management functions. This will eliminate or reduce the dual status of the government as social manager and assets owner, and resolve various problems which have arisen due to the long-term confusion between functions. 2) They stipulate specific organs for managing whole-people assets. This allows the government to stand detached from the complex economic relationships and thoroughly break free from the worries of complex economic affairs. Thereby it will be able to centralize its energy in major matters and grasp macro-economic management. 3) After asset ownership and the power of management are separated, the control of the enterprise will be completely in the hands of the managers and operators of the whole-people assets, and it will become an apparatus for commodity production and asset growth. The operational mechanisms of whole-people enterprises and these enterprises' activities will then truly accord with the patterns of commodity production which has large-scale production as its base. This is the target model sought in economic structural reform.

4. Separating the dual status of factory directors (managers). Up till now our factory directors (managers), as the responsible persons of the relatively independent organizations which are enterprises, have on the one hand been the enterprises' legal entities and responsible for the enterprise's production and operation. On the other hand, they have enjoyed administrative rank and the various conditions of government officials. The enterprise leaders above the county level were actually officials sent to enterprises by the government. This double status led to the situation whereby factory directors (managers) were turned into officials and this was a major manifestation of the lack of separation between government and enterprises, and also a major problem

obstructing the separation of government and enterprises. Because of the continuing allure of government posts as positions which are respected and well-paid and which give people a better status, a concept left over from feudal society, some factory directors (managers) want to expand the production and operational autonomy of their enterprises, and get rid of or reduce direct control by government departments. But on the other hand, they do not want to be completely separated from the government. They are used to asking for instructions and making reports, and having direct dealings with the government and the leaders of its management departments and want to safeguard and improve their conditions as city- or county-group level government officials. Thus, if we are to really achieve the separation of the government and enterprises, we must properly resolve the problem of separating the dual statuses of factory directors (managers). We could consider making the factory director (manager) positions nonofficial positions, take enterprise cadres out of the state administrative cadre ranks, have separate management and have the cadres within the enterprise managed by the enterprise itself. On the basis of this train of thought the state should clearly stipulate that factory directors (managers) are not government administrative officials but specialized entrepreneurial and operational personnel. The cadres at all levels within enterprises should be separated from the ranks of state public officials (state cadres), and become professional personnel at various posts within the enterprises. On this basis it should be publicly announced that the conditions accorded to factory directors and managers should be determined by their enterprise's operational efficiency and contribution to the society, and should not be restricted by government official administrative rank. Those factory directors (managers) who make a contribution should, in their social honor and material benefits, be given conditions which are better than normal government officials. Those who do not do well in their operations should not enjoy the "guaranteed" iron rice bowl conditions given to government officials at present. In this way, the factory directors (managers) will not be able to rely excessively on government management, and will have to tie their interests completely with those of the enterprise. The enterprises will likewise no longer be appendages of government and will be able to take decisions quite independently. Along with this the government will no longer appoint or dismiss enterprise leaders and this will thoroughly break the personnel relationship between government and enterprises, thereby creating conditions for realizing the separation of government and enterprises.

Journal Encourages Democratic Management
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[Article by Li Yongjin [2621 3057 6855]: "Achieve Democratic and Scientific Decisionmaking Through Collective Wisdom"—Edited by An Luming [1344 6424 2494]]

[Text] The Dalian Chemical Industry Company is a large enterprise which mainly produces basic chemical raw materials and chemical fertilizers. It has over 18,000 employees and its fixed assets were originally valued at 600 million yuan. It produces 22 different varieties of chemical products. Its output of sodium carbonate occupies an important position in the national economy, accounting for over 40 percent of the state plan for unified allocation. In the more than three decades since the founding of the People's Republic it has made significant contributions to the state in terms of supplying goods, capital, and personnel.

The system whereby the manager assumes full responsibility was instituted in the Dalian Chemical Industry Company in April 1985. Since my appointment as manager of this company I have been devoting my main attention and effort to finding out how best to exercise my authority with the help of the staff and workers to facilitate the company's steady development. Through practice over the past 2 years and more I have come to understand that the manager's primary function is to succeed in making decisions. Enhancing the democratic concept of the manager and bringing into play the wisdom and strength of the masses in the decisionmaking process are the prerequisites for achieving democratic and scientific decisionmaking; adopting diversified systems of democratic management and creating conditions for worker participation in making decisions is an important means in achieving democratic and scientific decisionmaking; strengthening the decisionmaking functions and perfecting the decisionmaking system is an essential guarantee for achieving democratic and scientific decisionmaking; and whether or not the manager can conduct himself properly, exercise his authority with prudence, and refrain from seeking personal gain are the keys to achieving democratic and scientific decisionmaking.

I Constantly Enhancing the Democratic Concept of the Manager and Bringing Fully into Play the Wisdom and Strength of the Masses Are the Prerequisites for Achieving Democratic and Scientific Decisionmaking [sub-head]

Democratic management is one of the intrinsic characteristics of our socialist enterprises. After institution of the manager responsibility system, the manager is given greater powers and heavier responsibilities but this does not mean that he can act arbitrarily. In large-scale enterprises serving multiple functions business can be affected by a variety of factors, and the laws of operation are complicated. It is very difficult to manage these enterprises merely on the strength of one person or a small group of people in a commodity economy where there is keen competition. It is only by relying on the joint efforts of the entire body of staff and workers and fully bringing collective wisdom into play that we can make correct decisions, effectively implement these decisions, and cause our enterprises to prosper.

A. Learn from the masses and rely on collective strength to overcome difficulties.

Dalian Chemical Company was confronted with an unprecedented crisis when its leadership was reshuffled in March 1985. Burdened with the three major difficulties of stagnant sales, a shortage of raw materials and fuel, and steep increases in the price of materials, members of the new leadership went to the factories and the secondary units to listen to opinions and suggestions, calling for joint efforts to find ways and means to overcome the difficulties on the very day they formally assumed office. On the basis of hearing the suggestions of the vast numbers of cadres and workers, they quickly formulated a number of major measures. Within a month or so, the ranks of cadres and workers and the production situation were basically stabilized and the difficult situation was speedily reversed.

B. Mobilize all staff members and workers to discuss enterprise development strategies.

In April 1985 the company's workers' congress proposed "pooling the wisdom of the masses to discuss strategies for bringing about the vigorous development of Dalian Chemical Company." The vast majority of engineering and technical personnel, management cadres, and workers actively responded to this call by putting forward rationalization proposals and writing discussion papers. On this basis they put together the suggestions of experts and brains trusts and developed an overall strategic guideline for Dalian Chemical Company: "Bring into play and take advantage of the three favorable conditions; avoid and overcome the three unfavorable conditions; break the set patterns of thinking; and skip over the three obstacles in action." Under this strategic guideline, two groups of people were organized to draft the "overall plan for the technical transformation of Dalian Chemical Company" and the "Seventh 5-Year Plan for Dalian Chemical Company," thus laying down a majestic blueprint for the company's development over the next 5 to 10 years.

C. Use the "spirit of Dalian Chemical Company" to arouse the sense of responsibility of the staff and workers as masters of the country.

At the 3d Session of the 10th Workers' Congress held in early 1986 it was proposed that discussions be held on the "spirit of Dalian Chemical Company." The party committee actively organized the discussions and the vast majority of staff members and workers participated with great enthusiasm. After repeated discussions and a vote the spirit of Dalian Chemical Company was summed up as follows: "Build the enterprise through arduous effort, render service without reservation, and exert oneself." The spirit of Dalian Chemical Company which serves as the banner and spiritual pillar for pressing forward, has strengthened the unity and cohesion of the enterprise.

D. Stress emotional involvement and wholeheartedly help the staff and workers overcome their difficulties.

In order that the vast majority of staff members and workers would love their factory as they do their family, an enterprise must be like a "family" in the first place. Over the past 2 years we have emphasized the need for emotional involvement and wholeheartedly helped the staff and workers overcome their difficulties in living standards, particularly in housing. In recent years, Dalian Chemical Company has built and purchased houses with a total floor space of 110,000 square meters to provide accommodation for 5,000 employee households. We have also purchased five vans, opened two new work-bus routes, and built bath-houses, hospitals, and schools for the staff members and workers.

II Adopting Diversified Systems of Democratic Management and Creating Conditions for Worker Participation in Making Decisions Is an Important Means in Achieving Democratic and Scientific Decisionmaking [sub-head]

The workers' congress is the basic form of the democratic management of enterprises and is the organ through which workers exercise their power of democratic management. However, merely relying on the workers' congress to achieve democratic management is not enough. In order that the company's leadership can regularly hear the views and suggestions of the staff and workers, subject oneself to direct supervision by the masses, and create the right atmosphere for worker participation in the making of important decisions, we have instituted the following six systems of democratic management while successfully running the workers' congress:

A. The joint session system between the manager and the presidium of the workers' congress.

The session meets once every 3 months as a rule, but may be summoned whenever important problems occur. The manager reports important proposals on production, operation, workers' welfare and so on to members of the presidium, and discusses major policies with them. Since promulgation of the "Three Regulations" we have formally established our company's Management Committee to replace the joint session system.

B. Manager's mailboxes are put up to widely solicit suggestions on company policies.

Nine manager's mailboxes have been put up within company common areas. I, myself, read each and every letter sent in by the staff and workers. The matters dealt with in their letters range from important ones such as strategic policy decisions and overall development programs, to ones concerning production and operation, administration, business management, and even trivial everyday matters.

C. The earnest discussions system between the manager and the intellectuals.

As manager, I personally preside over these meetings, in which relevant personnel of the company are invited to attend. For example, I have carried out earnest talks with new graduates and with old and middle-aged intellectuals, met with members of the sodium carbonate department to discuss matters of transformation with them, and held informal talks with the workers on the development of new products. This system has helped arouse the enthusiasm of the intellectuals and promoted the technical and managerial advancement of our enterprise.

D. The system whereby the manager receives visits from workers.

This system has been in practice since the spring of 1986. Each Thursday afternoon the manager or one of the deputy managers will, together with the responsible comrades from relevant departments and from the trade union's democratic management office, receive calls from staff members and workers at designated places.

E. The system of assessing and questioning cadres by staff members and workers' representatives.

This is carried out once a year. The first one was at the end of 1985 and the beginning of 1986. In the latter half of 1986, public appraisals of the best and the worst cadres were carried out throughout the whole company. Both events produced good results.

F. The system of democratic assessment of the manager's policy decisions.

A given number of staff members and workers, including those from advanced, mediocre, and backward units, are invited to make an annual assessment of the policy decisions made by the company manager. At the same time, at the workers' congress held early each year, representatives of staff and workers are asked to fully debate and vote on important policy decisions made by the manager during the previous year to help him sum up his successful experiences as well as his mistakes.

Using the abovementioned systems of democratic management to supplement the workers' congress system we have formed a close-knit, multi-layered, and multi-channel network of democratic management, and have created a fine atmosphere for worker participation in decisionmaking.

III Strengthening the Functions and Perfecting the System of Decisionmaking Is an Essential Guarantee for Achieving Democratic and Scientific Decisionmaking [subhead]

The manager of an enterprise plays the leading role in the decisionmaking process. To ensure that the manager can play the leading role in making decisions we must

perfect the decisionmaking system and relatively separate the functions of consultation, selection, and execution in the decisionmaking process. In other words we must establish and perfect the "system of policy consultation," "system of policy selection" and "system of policy control." The relative separation and coordination of these three functions is an essential guarantee for achieving democratic and scientific decisionmaking.

A. Establish a policy study system and bring the advisory role of think tanks into play.

Under conditions of modern large-scale production, with the demand structure getting more complicated and market competition more intense, think tanks play an increasingly important advisory role in decisionmaking. Over the last 2 years we have established and strengthened a variety of policy study and advisory organs step by step. These organs fall roughly into the following four categories:

1. Outside experts are employed to join the policy advisory body of the enterprise. For example, lawyers from law firms and professors in management colleges are employed as legal and management advisers; experts from design and research institutes are employed to help formulate transformation programs and take part in strategic studies; and long-term scientific and technological agreements are signed with relevant colleges and universities.

2. A comprehensive think tank, that is an office for the study of economic policies, is set up under the direct leadership of the company manager. Comrades working in the company who have expertise, experience, or fairly high theoretical and policy standards in such areas as production, operation, management, law, and administration are organized to form a comprehensive think tank by flexibly combining full-time with part-time duties with cadres from frontline and secondary units. This method can produce excellent results.

3. Professional think tanks such as the Technical Committee and Enterprise Management Association are organized. They are mainly constituted by various functional company departments and offices and special committees of experts.

4. Workers' think tanks of various types formed by worker representatives on the company's Management Committee, the permanent presidium of the workers' congress, different offices of the trade unions, foremen's study groups, and the like.

B. Establish and perfect a policy selection system and rely on collective wisdom when making important policy decisions.

Our company's policy selection system comprises mainly the following systems:

1. The workers' congress.
2. The company's management committee.
3. The joint session of party, government and worker leaders.
4. The manager's work meetings
5. The on the spot work meetings.

Important issues relating to the long-term development of the enterprise, workers' welfare, wage reform and so on are examined, discussed or endorsed by the workers' congress; important issues relating to the production and management of the enterprise such as the amendment and implementation of institutional reform, the economic responsibility system, and plans to upgrade the enterprise, are decided upon by the company's Management Committee; important issues relating to the day-to-day administration of the enterprise such as the execution of specific policies and personnel arrangements, are decided upon by the joint session of party, government, and worker leaders so that the party committee and trade unions can play their guarantor and supervisory role in a still better way. Manager's work meetings deal mainly with day-to-day strategic and operational policies. On-the-spot work meetings are held in response to current key talks to tackle specific regional or departmental problems under guidance of the company's policies.

C. Establish and perfect a system of policy control in order to trace, check, and rectify policy deviations in good time.

To ensure the implementation of policy decisions, promptly discover new conditions in the course of implementation, and rectify deviations from policy targets, we have adopted a variety of ways and means to strengthen control over the implementation of policy decisions.

1. The establishment of an assurance system. The company manager signs collective contracts with the trade unions each year; each functional department and office discharges its duty in accordance with the policy requirements and their terms of reference; the party committee and affiliated bodies are mainly responsible for spiritual development; the trade unions attempt to mobilize the staff members and workers to develop all kinds of labor emulations and launch "rationalization proposal" campaigns in conjunction with the administrative departments.

2. The establishment of different assessment systems. For example, we have set up systems to assess: The economic responsibility system, with the enterprise management office in command; work standards and quality control, with the quality control office in command; and cadres, with the cadres office in command. We also have a promotion and assessment system under

the command of the manager's office and the enterprise management office. In addition, the manager's office is also responsible for the assessment of implementation of managerial policy decisions.

3. The establishment of an information feedback system. On the administrative side, a joint session of units from production, supply, and marketing meets once a month; the various functional departments offices report their policy implementation once a month; and leaders of secondary units report their work once a week. In addition, we have manager's mailboxes put up by the manager's office, reception days, and a daily summary of company activities. The party committee and affiliated bodies have initiated an information card system and monthly bulletins. Through the workers' congress monitoring group the trade unions can regularly check on the implementation of contracts, collate data, discover the problems and promptly report them to the manager.

4. The establishment of a policy evaluation system. For example, the staff and workers were mobilized through factory tabloids to nominate and vote on the ten major events of the year; the cadres office and the trade unions organized the staff members and workers to make democratic assessments of cadres; and the workers' congress was called upon to assess and vote on the company's policy decisions.

IV The Proper Conduct of the Manager Is the Key To Achieving Democratic and Scientific Decisionmaking [subhead]

Whether or not the manager has conducted himself properly and correctly exercised his authority is, up to a point, the key to making a success of the democratic management of an enterprise.

A. The manager must respect the functions and powers of the workers' congress and consciously subject himself to supervision by the masses. The manager is not only accountable to the state, he is also accountable to the enterprise and to the staff members and workers. He must regularly report his work to the workers' congress, and submit major policy issues to the workers' congress for discussion, examination, and approval. He must carry out the resolutions and decisions made by the workers' congress firmly and actively organize their implementation. No matter how hard pressed for time he may be, he must not take short cuts and "strike deals" without holding consultations first when handling major policy issues which he is required by regulations to discuss with the workers' congress. No matter how busy he may be he must make proper arrangements to participate in democratic management activities as required by regulations.

B. The manager must cast aside his sense of superiority, treat others as equals, and be a willing pupil.

As leader of an enterprise the manager may have qualities slightly superior to those of ordinary staff members and workers. However, compared with the entire body of staff and workers, the personal wisdom and ability of the manager is nothing. Thus the manager must cast aside his sense of superiority, treat others as equals, humbly learn from the masses and from practice before he can be certain that the decisions he has made are correct.

C. Encourage people to air their views, listen to all kinds of suggestions, and correctly handle views different from one's own.

The manager must listen not only to suggestions made by experts and leaders of departments and offices but also to suggestions made by ordinary workers; not only to views identical to his but also to views different from his; and not only to things he wants to hear but also to things he does not want to hear. He has to take positive steps to adopt the reasonable suggestions made by the staff members and workers. Even if they make unreasonable demands he must correctly handle their demands and patiently reason with them. These methods of mine have been well received by staff members and workers.

D. Exercise one's authority prudently and fairly and refrain from seeking personal gain.

The manager of an enterprise must be fair-minded in exercising his authority before he can build his personal prestige. Only then will people listen to him and will his decisions be carried out without a hitch. The leader of an enterprise must be strict with himself. He should not expect his subordinates and workers to do what he cannot do himself. Only then will the staff and workers have faith in all his talk about democracy and policies. When the staff and workers see that we are doing concrete things for the party, the state, and the masses, our democratic management will have a solid mass foundation, and we will find it much easier to run our enterprises.

Plans for Economic Development Reviewed
HK240933 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 7, 15 Feb 88, p 1

["Letter from Beijing" by Bao Xin (7637 0207): "The Year of the Dragon, in Which Dragon Flies and Tiger Leaps"]

[Text] My Brother:

The Spring Festival will come soon. I wish you and your family a happy new year, and further progress in your career.

This year is the Year of the Dragon. Dragon is the symbol of the Chinese nation. All Chinese people at home and abroad regard themselves as "descendants of the dragon," and feel particularly proud of this. Therefore, the Spring Festival of the dragon's year is of special

significance. Now, Beijing is full of a festival atmosphere. Goods bearing the auspicious marks of dragons and phoenixes can be seen everywhere on markets, and various celebration activities with the dragon as their emblems have also begun successively.

The dragon's year should be a year with dragons flying and tigers leaping. It is natural that people may ask how Mainland China will quicken its reforms and opening up in the dragon's year. Recently, some overseas people said that China slowed down the pace of reform after the 13th Party Congress. For example, some cities restored the system of supplying meat and eggs on rations. There must be something wrong in the agricultural reforms, or there may even be an "agricultural crisis." In fact, this is all a misunderstanding.

"To govern a country well, one must be realistic and pragmatic." As you know, the 13th Party Congress last October decided on the general orientation and blueprint of the mainland's reforms, and called for further emancipating people's minds and thoroughly get rid of the outmoded traditional ideas and notions. The leap forward in people's thinking will certainly bring about new practice. Aside from further improving the contracted management responsibility system in enterprises, various new reform measures have been put forth successively. The recent published economic development strategy for coastal areas is a major strategic step to deepen reforms and advancing the practice of opening up.

General Secretary Zhao Ziyang expounded the development strategy in an all-round way last month, and pointed out that it is completely in keeping with China's national conditions, and represents a fundamental way to make the 200 million people in the coastal areas rich and then promote the prosperity of the whole country. In light of this development strategy, raw materials will be imported and processed so as to produce labor-intensive goods for export. That is, our economic activities in the coastal areas will be involved in the international circulation of goods and materials. Deng Xiaoping said that we must be resolved to pursue this strategy and must take rapid action without losing any good opportunity. Chen Yun said that "putting both ends outside" is a good method.

The outwardly-oriented economy with its "both ends lying outside" will not be developed merely in the coastal areas; enterprises in the interior areas with good conditions can also develop in this direction. That is to say, the development strategy for the coastal areas is in fact also a development strategy for the whole country. Therefore, the whole country will support the coastal areas to join the international market activities; then the coastal areas will in turn promote the economic development in all parts of the country.

It is certain that the participation in international business competition will bring risks. However, our coastal areas have good-quality labor resources and enjoy the advantages of low costs and strong technological forces. They have many favorable conditions and are completely able to join the trial of strength in international markets. Now, "everything is ready except the favorable eastwind." The most important issue now is to quicken the reform of the foreign trade system and break the largest "big pot" in the field of foreign trade. The old system under which the state is responsible for all trade losses will be changed. Enterprises will have to bear responsibility for their profits and losses in foreign trade business. This will enliven the foreign trade activities in our country.

As for agriculture, through reforms in the past years, agricultural production has actually been increasing. In 1987, the total agricultural output value of the whole country nearly reached 900 billion yuan, or increased by more than 12 percent over the previous year. The total quantity of agricultural products increased by a big margin. In particular, the grain output, which has a great bearing on the national economy and the people's livelihood, reached more than 400 million tons or increased by 2.5 percent. This shows that our agricultural situation is rather good.

However, reform is a great and arduous cause, and our road to advance is not as straight, smooth, and wide as the Changan Avenue of Beijing. In recent years, agricultural investment continued to decrease; the price mechanisms remained imperfect; and the new systems in the countryside have not been consolidated. Therefore, the supply of main agricultural products cannot meet the demand. In some large and medium-sized cities, meat, eggs, and sugar have to be supplied on rations. However, this is just like a ship which is forging ahead is tossed about by the waves, and cannot be regarded as a "crisis of agriculture."

The fluctuations of agricultural production have attracted close attention from the central to local authorities. Now the authorities concerned are studying the ways to overcome the difficulties and to promote the development of agriculture. In-depth agricultural reform measures will be put forth soon. It is learned that a new economic structure in the countryside will be established on the basis of reforming the land system, the rural organizational system, and the farm product purchase system. In particular, the law of value will be better brought into play in the rural economic activities, and agricultural production will be subject to the regulation by the market and price mechanisms. Once the prices of the farm products can be changed flexibly according to the market conditions, the peasants will have production enthusiasm and agriculture will develop vigorously.

In the Year of the Dragon, the mainland will quicken the pace of reform and opening up, and of course, the measures will not be limited to the above-mentioned

points. As you know, in late March, the Seventh PPC will be convened. At the NPC session, major personnel changes will be made in the state leadership, the NPC Standing Committee, and various government departments, and the political structural reforms will begin with the party being separating from the government. Then, our diplomatic activities will become more active, and our country will make greater efforts to contribute to world peace and development. "The torrent cannot be blocked by mountains and will roll ahead to the east." No matter what difficulties will appear on the way ahead, the general trend of reform will always be irresistible.

When the Chinese New Year comes, we warmly welcome the Taiwan compatriots and the "dragon's descendants" from overseas areas, who make home visits and sightseeing tours and who will join their relatives and friends on the mainland to celebrate the festival. We wish that relations between the two sides of the strait will make new development in the year when dragons fly and tigers leap.

Commentator's Article Emphasizes Law of Value
HK231502 Beijing RENMIN RIBAO in Chinese
23 Feb 88 p 1

[Commentator's Article: "The Key Is To Do Things According to the Law of Value"]

[Text] Last year's economic situation was fairly good. The country's situation in production, construction, circulation, and foreign trade was better than expected. Economic growth rates were relatively high, normal, and sound, and economic results were comparatively good. Fairly big advances were made in economic reforms and in particular implementation of the contract managerial responsibility system in enterprises, provided us with many successful experiences. While the microeconomy was being invigorated, macroeconomic control played a fairly good role in such areas as investment, credit, and consumption funds. Hence, microeconomic flexibility and macroeconomic control were promoting each other.

The outstanding problem in last year's economy was excessively large price hikes, and the price problem centered on the rise of food prices. According to statistics the country's general retail price index in 1987 increased by 7.2 percent, 65 percent of which was generated by the higher prices of farm and sideline products. The basic reason for this state of affairs is that in the new situation in our country's economic reforms and development we have failed to do things according to the objective requirements of the law of value. Therefore, the recently held Fourth Meeting of the Central Political Bureau pointed out: The key to solving this problem lies in doing things according to the law of value.

The law of value is a universal law and also a basic law governing commodity production. This is the rudimentary knowledge in Marxist economics. On the basis of

private ownership of the means of production, the law of value and the objective of capitalist production are unified. With replacement of the capitalist private ownership by socialist public ownership of the means of production, the law of value and the objective of socialist production—continuously satisfying the ever growing material and cultural needs of the people on the basis of developing production—are also unified. As one can well say, this is a fact that has been repeatedly proven by our country's economic construction.

One major defect in our country's former economic structure was that no adequate importance had been given to commodity production, the law of value, and the regulatory role of the market. As a result the socialist economy was bereft of much of the vitality it should have possessed, and the superiority of the socialist economy could not be displayed as it should have been, as pointed out by the "Decision by the CPC Central Committee on Reform of the Economic Structure." For a very long period of time although we stressed the objective of socialist production in our economic construction, and even viewed it as the basic law of socialist economy, we failed to achieve this production objective and, moreover, we have been punished by the law of value because we did not act according to economic laws.

Since the 3d Plenary Session of the 11th CPC Central Committee our country's economy has vigorously developed within a short time, scoring achievements which have attracted world attention. The basic reason behind this state of affairs is that in our reforms we have paid greater attention to respecting the requirements of the law of value, thus stimulating the development of commodity economy and bringing into play the great enthusiasm of the people in their hundreds of millions. In carrying out reforms in the last few years including: Raising the purchasing price of major farm produce; implementing the system of contracted responsibilities in operation on the household basis with payment linked to output; lifting restrictions on the prices of the farm producer; promoting readjustment of the structure of production in rural areas; invigorating enterprises and establishing markets systems in the cities; and adopting macroeconomic control with indirect management playing a leading role, we have either acted directly in accordance with the law of value or created conditions for the better use of the law of value.

The objective of our country's economic reforms is to establish a socialist planned commodity structure. Today we are in a stage when a new structure is being substituted for the old one. In this new situation, to deepen our reform and develop our construction special efforts are needed to study new developments, and to further learn to better use the law of value. Otherwise we will be punished once again by the law of value. This is where the reason for the rise in food prices lies. We must conscientiously sum up experience and draw lessons from this matter.

In the new situation, to learn how to better use the law of value we should first deepen the reform according to the requirements of the law of value. As independent commodity producers, the peasants now have decisionmaking power in their hands and, at the same time, they have a sense of interest comparison. If grain crop cultivation is unprofitable the peasants will naturally reduce grain production output, and even let cultivated land lie waste. We failed to promptly adopt appropriate regulatory measures to put an end to the situation whereby the peasants could not make money growing grain crops. Therefore the main reason grain production developed haltingly in recent years can be summarized as follows: In the new situation in which the rural commodity economy is developing we failed to deepen the reform and to mobilize the enthusiasm of the peasants in growing grain crops soundly in accordance with the requirements of the law of value.

The development of the modern commodity economy has been turning all the links of production, circulation, distribution, and consumption into an increasingly complete system. In order to learn how to better apply the law of value to new circumstances we must observe the law of value in every link. Only in this way can the whole socialized mass production proceed smoothly and social reproduction enter a benign cycle. The problem of rising foodstuffs prices that we are presently facing should be attributed not only to the link of production but also to circulation, distribution, and consumption links. The problem concerning vegetable supplies that has aroused quite serious grievances among the public is a good example to illustrate the case. Vegetables can be divided into two categories: Staple and high-price vegetables. After the restrictions were lifted on vegetable selling prices in 1985, the supply of vegetables to cities has improved considerably both in terms of quantity and quality. Nowadays, people in northern China are supplied with fresh cucumbers and tomatoes even in winter, but the problem concerning staple vegetable supplies has not yet been properly resolved. As production costs for these kind of vegetables are high but their prices remain low, only mass production and supply can ensure profit, while the unmarketability of vegetables will result in the products spoiling and the incurring of heavy losses. However, the present state-run circulation structure has failed to promptly introduce a series of relevant reforms to deal with the problem, and to guide and regulate the production and supply of staple vegetables according to the requirements of the law of value. Therefore, peasants will not and dare not produce and supply staple vegetables, causing the rise in prices and the shortages in vegetable supplies in some cities.

In order to learn how to better apply the law of value to new circumstances—we must foster and establish new mechanisms, standards, and regulatory means that are necessary in developing the commodity economy, guide commodity production, and ensure the steady development of the commodity economy. Now, let us take the current issue of rising pork prices for example. Our

experience tells us that the periodic fluctuation in production of hogs and pork consumption can hardly be avoided when the market is not under effective regulation and control. The period from 1985 when pork was overstocked and unmarketable to last year when the system of low-price rationing of pork was resumed is just a fluctuation cycle. In early 1985, as soon as the restrictions on pork prices were lifted, the peasants were very eager to raise pigs, thus the long-standing pork rationing system basically came to an end. However, in early 1986 approximately, peasants throughout the country began to find difficulty in selling hogs and the pork price began to drop considerably. This signal told peasants that pig raising was no longer profitable. At that time we did not take the necessary measures promptly and by mid-1986 peasants in the main hog producing areas of the country began butchering sows. As a result, pork was in short supply early last year, pork prices began to rise, and the low-price pork rationing system was resumed in many cities during the second half of last year. Suppose we had taken prompt action to prevent this kind of periodic fluctuation while lifting the restrictions on the pork price, and had used price as a regulatory means when necessary, then we would have been able to prevent the periodic fluctuation in hog production.

Thus it can be seen that the fundamental way out for the steady development of foodstuff production lies in the skillful application of the law of value, and the speeding up and in-depth development of the reforms to meet the law of value requirements. To achieve this, we have to consider the possibility of further lifting restrictions on the prices of agricultural and sideline products, straightening out the price ratio between different kinds of agricultural and sideline products, and building production bases for pigs, staple vegetables, and other foodstuffs. We must exert great efforts to reform the present state-run circulation structure, establish wholesale markets, introduce a futures trading system, and set up risk funds. We must try our best to create suitable conditions for changing indirect subsidies into direct subsidies, and so on. What especially merits attention is that the standard of 1.5 mu of farmland per capita as a basic national condition in China requires us to make still greater efforts to find out a meal composition and diet mode that suit China's national conditions, and to quickly make modifications or reforms in the consumption strategy, structure, policies, and concepts, in accordance with the requirements of the law of value.

JINGJI RIBAO on Agricultural Conference
HK220330 Beijing JINGJI RIBAO in Chinese
1 Feb 88 pp 1, 2

[Report filed by JINGJI RIBAO reporter Tian Jijin (3944 4480 6855) from National Agricultural Work Conference: "The New Situation Confronting Agriculture"]

[Text] In 1987, the country's agricultural production continued to develop. However, the quotas for grain production, which is the foundation of all foundations,

have remained unfulfilled for 3 years in a row. Grain production is now in a stagnant state. In addition, the peasants' enthusiasm for production has been dampened, not enough resources have been reserved for future agricultural development, and the contradiction between the supply of and the demand for such major agricultural products as grain, cotton, meat, eggs, sugar, and so on is becoming increasingly serious. Agriculture is facing a grim situation.

At the recently held national conference on agricultural work, the reforms carried out over the past 9 years were reviewed, the lessons learned and the experience gained in agricultural production were summed up, past mistakes were critically examined, and measures for putting an end to the stagnancy were introduced.

Agricultural Development Requires Good Material Conditions and Policies [subhead]

During the first 6 years of reform, the output of our agricultural products increased rapidly. After making an analysis, we have discovered the following reasons for this: First, the new policy aroused the peasants' enthusiasm. This new policy covered such things as the application of the system of output-related contracted responsibility, much higher prices for agricultural production, and exemption and remission of agricultural taxes in areas which had difficulties. Second, the material conditions were quite satisfactory. The demand for good seeds, chemical fertilizer, and farm chemicals could be basically met. In addition, the basic facilities and equipment built in the past as a result of agricultural capital construction also played an important role. In conclusion, the changes in production relations, the readjustments in the superstructure, and the effects of the basic material and technological conditions provided a comfortable environment for millions upon millions of peasants and contributed to the development of the productive forces.

Since 1985, although the potentials of the production responsibility system have continued to produce effects, its benefits for the peasants have all been offset by the increase in prices of the means of production. In each of the past 3 years, the price of chemical fertilizer increased by 13.8 percent, on the average, whereas the composite price of grain went up by only 9 percent, and the composite price of cotton even dropped by 3 percent. In 1986, because of the increasing prices of the means of production, the net agricultural output value yielded from the consumption of each 100 yuan's worth of materials dropped from 234 yuan in 1984 to 210 yuan. Production costs are increasing and the annual productivity of the growing of crops, which is 600 yuan, is only one-seventh of that of the secondary and tertiary industries. The contract prices of such agricultural products as grain and sugar are notably lower than their market prices and are still lower than the selling prices of fruits and vegetables. "One jin of sugarcane is not as good as 1 jin of grass, and 1 jin of grain or sugar [as published] is

not as good as 1 jin of vegetables." Since the selling price of cotton is tumbling, we have abolished the system of selling grain to cotton growers as a form of encouragement and of selling grain rations at original prices. This move has widened the scissors difference between industrial and agricultural prices and the gap between comparative advantages. Thus, equal amounts of work do not necessarily mean equal remuneration. All this has seriously dampened the peasants' enthusiasm for production, particularly the enthusiasm of cultivators of grain, cotton, and sugar crops.

Since 1985, state investment in agriculture has been decreasing each year. In each of the 29 preceding years, state investment in agriculture on the average accounted for 11.9 percent of its total investment in capital construction. However, it dropped to 3.3 percent in 1986. Industrial development at the expense of investment in agriculture has led to the relative deterioration of the material and technological conditions for agricultural production. The total area of land under effective irrigation has decreased by over 10 million mu since 1980. In Sichuan, which is known as the "land of abundance," the amount of investment in agriculture accounted for 1.51 percent of the province's total investment in 1986, which was smaller than the amount of investment in any another trade and was 2 percent smaller than the amount of investment in party and government organs. As a result of the shrinking of investment and the decline of agriculture-related industries, more than 80 county chemical fertilizer plants went bankrupt. Because of the shortage of chemical fertilizer and some other factors, grain output decreased from 81.5 billion jin in 1984 to 78.3 billion jin. On a per capita basis, this is below the national average. The Hubei Provincial Farm Chemicals Depot has run out of chemicals. Therefore, peasants are forced to buy inefficacious farm chemicals or "666," which is explicitly banned. In Jianli County, which is a base for the production of commodity grain, the peasants seized chemical fertilizer by force 36 different times in one month. In such a tense situation, how can peasants be enthusiastic about production?

Facts tell us that if we overlook the importance of the law of value and do nothing else except readjust production relations, we cannot keep up the peasants' enthusiasm for very long. In addition, we should also not stress agriculture as the foundation of the national economy on the one hand and reduce investment in agriculture on the other. It is necessary to provide agriculture with a relaxed atmosphere of development. A crucial point now is to iron out prices for farm produce and to increase agricultural input.

It Is Imperative To Make Production, Supply, and Marketing an Integral Whole in Agricultural Development [subhead]

Production determines circulation and consumption. The reaction of circulation and consumption should be their promotion of production. Many facts provided by

the National Work Conference on Agriculture have demonstrated that China's existing structure, characterized by the separate administration of the production of farm produce from its circulation, has shackled agricultural production. When the peasants fail to obtain chemical fertilizers and diesel through the "three linkings" policy, chemical fertilizer and diesel can still be obtained almost anywhere, for a price. Moreover, it is not rare for government organs to sell agricultural production materials at negotiated prices. Ammonia is available at 1,000 yuan per ton, and the price for plastic sheeting for farm use now exceeds 10,000 yuan per ton.

Some managerial departments have thrown away the guideline of "developing economy, guaranteeing supply." For them, production materials have become a means of seeking personal gain. Circulation has become a sanction imposed on production. Again, take the production of pigs for example: Pig output is linked closely with the marketing of fodder and pigs. Agricultural departments are in charge of production, while commercial departments are in charge of fodder supply (around 80 percent) as well as the purchase and supply of pigs. Driven by departmental economic interests, factories basically refuse to supply fodder prescriptions for pig breeders, not to mention supplying them with grain as the chief ingredient in fodder. Because of the rise in the price of fodder, many agricultural departments' animal farms have gone bankrupt or have collapsed. Because production costs for pigs continued to rise, while the purchase price for pigs remained on the low side, peasants began to slaughter their sows and dumped piglets on the market. Production departments turned on the red light to signal the possible drop in the number of pigs in stock, but managerial departments simply turned a blind eye to it. When the pigs in stock dropped, it was too late. The contradiction between demand and supply then became acute. To develop the production of pigs and eggs, huge volumes of funds used to be pumped into the circulation links every year. Such subsidies, which reversed the relations between the principal and the secondary aspects, benefited neither the producers nor the consumers. Consequentially, the financial burden grew increasingly heavier, while it remained very difficult to avoid the situation in pig and egg production in which a sharp fall would alternate with a drastic fall.

The Tianjin municipal government overcame one difficulty after another in 1987. It turned the production, transportation, and marketing of eggs into an integral whole under the unified administration of the municipal Agricultural Commission. Thus, the long-standing contradiction between production and marketing was resolved. The output of eggs reached 220 million jin, a record high, within a short span of 9 months. The sales volume increased by 40.5 percent over the same period in 1986. With the cutback in the circulation links, fresh eggs from farms would reach consumers within 24 hours. The bulk of financial subsidies was now being spent on production links. The results of the reform satisfied producers, managers, and consumers. It is necessary to

gradually expand the range of the integrated administration of production and marketing of farm and sideline produce and to step up the pace of the structural reform of circulation, so that the circulation links may genuinely play the role of promoting production.

Agriculture Production Must Be Shifted Into the Orbit of Relying on Science and Technology [subhead]

According to statistics from the Agricultural Department, between 1984 and 1987, more than 38,000 items of agricultural technology were popularized throughout the nation, involving an acreage of 1.66 million mu and direct economic results in terms of 16.26 billion yuan. Science is the productive force. This is a truth that is acknowledged and accepted by millions upon millions of peasants. Over the past 3 years, more than 73,000 training classes have been run in various localities; more than 12.7 million men have participated at different times. A large number of peasants have become backbones in the production of the commodity economy in the rural areas. However, science and technology in China's rural areas are still at a very low level. In the factors of increase in agricultural output, science and technology factors account for only about 30 percent, which is far behind the developed nations' level of 80 percent. There are many branches of agricultural science and technology. If all the existing regular techniques are popularized, China's grain output will be increased by 50 to 100 kg per unit acreage. However, agricultural technology stations are still unheard of in more than half of the towns and townships in China. Two-thirds of the villages in the country have to do without technical service organizations. Most of the counties have not yet founded agricultural technology popularizing centers. The workers group that spreads agricultural science and technology still remains in a state of "poverty, decline, and instability." The group is facing the dilemma of "a broken network, the severance of its lifeline, and loss of its personnel." In consequence, many of the results of science and technology have failed to be converted into productive forces. In 1985, the central authorities promulgated the decision on the structural reform of science and technology, which allowed workers spreading agricultural science and technology to render technical services for compensation and to initiate economic bodies. However, they have met great obstacles in implementing this decision. Many agricultural technology stations were banned for their method of operation, characterized by "formulating prescriptions and selling medicine," while some of the workers were even held in custody. Some local governments even publicized the ban on those organs that dealt in farm pesticides.

The National Work Conference on Agriculture spread Hebei's experience in popularizing agricultural technology by means of legislature. In 1987, the Hebei Provincial People's Congress formulated the "Regulations Regarding the Popularization of Agricultural Technology in Hebei Province" and detailed rules and regulations for its implementation. This has greatly supported

organizations spreading agricultural technology in initiating operational bodies. Governments at various levels started to improve the livelihood and working conditions of workers engaged in agricultural science. Within 1 year, the number of agricultural technology popularizing centers at the county level has increased from 40 to 103. Agricultural technology popularizing stations have been founded in 92 percent of the townships, and various forms of technological service groups have been founded in 70 percent of the villages. The number of exemplary households in science and technology has developed to half a million. Thus, an agricultural technology popularizing system characterized by "three levels down to the household basis" has taken shape. A large number of technicians who had left agriculture took up their old jobs again. In 1987, more than 5,000 workers engaged in agricultural science went into the countryside to pursue contractual technology. As a result, grain output increased by 330 million jin, and cotton output increased by 4.9 million jin on contracted plots. The facts provided by Hebei have once again demonstrated that the key to the development and consolidation of the contingent of agricultural science and technology and the upgrading of the level of agricultural science and technology lies in local leadership. As long as local leadership educates all functional departments in the concept of strengthening the agricultural base; sets requirements for them on this basis; helps all fields of endeavor to establish the concept of supporting agriculture; relaxes policy; allows organizations spreading agricultural science and technology to operate in production materials, including seeds, shoots, small fish, chemical fertilizers, agricultural chemicals, plastic sheeting, fodder, and small farm machinery and tools, and to engage in preservation, processing, storing, transportation and marketing of farm produce; and makes agricultural technological services develop in the directions of both pre-production and post-production from the middle of production, it will not take long for the contingent of agricultural science and technology to consolidate and develop itself on the basis of self-accumulation. This will rapidly upgrade the level of agricultural science and technology.

Paper Cited on Obstacles to Farm Production
OW231126 Beijing XINHUA in English 0936 GMT
23 Feb 88

[Text] Beijing, February 23 (XINHUA)—The increasingly large proportion of meat in the Chinese people's diet is putting pressure on the country's limited agricultural resources, the "Economic Daily" said today.

An article in the Beijing-based paper pointed this out as one of the bottlenecks in the country's agricultural production.

It said that the per capita area of cultivated land in China is now only 0.1 ha. Although agricultural production has been increasing at a rate of two to three percent annually, the consumption of meat, poultry, eggs and fish has registered a yearly increase of 10 percent since 1983.

Meanwhile, the consumption of alcoholic beverages has maintained an increase of 15.4 percent.

To cope with such a rapid consumption growth, at least five percent annual increase in agriculture is needed. But it is impossible to realize this under current production and technological conditions, the paper said.

The article attributed part of the reason for this high demand to state subsidies. It said that for each kilogram of grain purchased by urban residents, the buyer only pays half of its worth and the rest is subsidized by the state.

In recent years, it said, state subsidies for agricultural products have jumped from eight billion yuan to more than 30 billion yuan a year.

It warned that if this situation continues much longer the enthusiasm of farmers will be dampened, consumption demand will continue to accelerate, the gap between demand and supply will be further widened and more subsidies will be needed.

The paper advised that it would be better to increase the prices of agricultural products so as to stimulate production, adding that the ultimate result of this would be a decrease in prices when the gap between demand and supply narrows.

The article also called for less state interference and more market adjustment. State interference has intensified the fluctuations of the market it said.

CHINA DAILY Cites Pig Raising Survey
HK230835 Beijing CHINA DAILY in English
23 Feb 88 p 3

[Text] More pigs are being raised in China, reversing an earlier decline in production, a recent survey has shown.

Pig stocks rose by 2.9 percent from August to November last year, reported the survey of 225 major pig-raising counties conducted by the Ministry of Commerce.

The increase in pig production has resulted from several measures taken by the State. An increase in grain production and a drop in the grain price on the market has encouraged farmers to breed more pigs.

The government has allowed a sharp rise in the purchasing price for live pigs and the price gap between grain and pigs is now reasonable.

Local governments have also stepped in to help, for example, by allocating funds and pig feed to pig-raising households.

Pig-raising has also become more scientific, and several bases for breeding have been set up and epidemic disease prevention strengthened.

However, pig production will still develop at a slow pace, even though it is rising.

Entry, Exit Travel Increases on Mainland
OW231210 Beijing XINHUA in English 1139 GMT
23 Feb 88

[Text] Beijing, February 23 (XINHUA)—A record 59,049 million people entered or left China's mainland either as travellers or on business in 1987, 17 percent more than in the previous year, according to the Ministry of Public Security.

Of the total, 52,267 million were travellers, including 3,568 million foreign travellers, also 17 percent more than in 1986.

Travellers from Hong Kong and Macao totalled 46.8 million, an increase of 16 percent, and entries and exits by Chinese citizens amounted to 1.643 Million, an increase of 26 percent.

The figures include 160,000 Overseas Chinese and 89,000 compatriots from Taiwan, 23 percent and 180 percent more, respectively, compared with 1986.

HONGQI No 4 Table of Contents Published
HK231024 Beijing RENMIN RIBAO in Chinese
17 Feb 88 p 3

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[Text] Article by Rui Xingwen: "The Present Tasks Regarding Ideological and Political Work in Enterprises"

Article by Chen Xiaoping, Zhao Fengtian, and Deng Yun: "Reform the Party's Leadership System, Strengthen the Party's Leadership"

Article by Yu Dehai: "The Reform of the Cadre Personnel System in Shenzhen Special Economic Zone"

Article by Yu Zheng and Zhang Qihua: "On the Ultimate Decisive Role of Productive Forces"

Article by the Shenyang City Scientific and Technological Commission: "How Did We Expedite the Healthy Development of the Technology Market?"

Article by Chen Shengwu: "There Are Bright Prospects for Civilian-run Scientific and Technological Undertakings"

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Article by Wang Dechao: "Introduce the Competition Mechanism into the Cadre Personnel System"

East Region

Jiangxi Governor Discusses Foreign Investment *OW231214 Beijing XINHUA in English 1148 GMT* 23 Feb 88

[Text] Beijing, February 23 (XINHUA)—Wu Guanzheng, governor of south China's Jiangxi Province, just held a round-table discussion with some managers of local foreign-funded enterprises on how to pull in more foreign investment.

According to today's INTERNATIONAL BUSINESS, as of the end of 1987, Jiangxi had earned more than 24.53 million U.S. dollars from joint ventures which brought the province 66.26 million U.S. dollars worth of foreign investment.

"The best way to pull in more foreign investment is to make existing enterprises profitable," Wu said.

At the meeting, participants discussed problems enterprises face like the long approval procedure, inadequate transportation facilities and energy shortages.

In his position as Governor Wu was able to solve some of the problems on the spot, and assured these local business people the provincial government is concerned about the situation and will continue to improve existing policies.

Shandong Cook Disrupts Banquet in Protest *HK240528 Beijing CHINA DAILY in English* 24 Feb 88 p 3

[Text] Residents of a poor county in East China's Shandong Province have applauded a woman cook who overturned a banquet table in protest against high-living officials.

Reports in Beijing newspapers yesterday quoted the cook as saying she was angry at the Party secretary, who went to the county Party school in Linshu County for the banquet under the pretext of attending a meeting.

The party heads of the county attended the banquet at the school in December after a so-called "dialogue meeting" there with local officials.

When the banquet, served on four tables with 14 dishes each, was almost over, a school official rushed into the adjoining room where the Party heads were being served to say that the cook had thrown over one of the tables.

Many people in the county backed her action, according to the newspapers.

Linshu County is one of the 14 poorest counties in Shandong Province and has relied on State subsidies for decades. Last year alone, the county received 6.55 million yuan from the State to support its poorest people.

But the county heads have been criticized for wasting money. Last year the county government guesthouse spent 220,000 yuan on banquets. A famous restaurant in the county generated 400,000 yuan worth of business and many of its customers were local officials who used public funds.

The county government also invested 1.4 million yuan in building guest-house for VIPs last year.

Many local people have been dissatisfied with some county heads for a long time, the papers noted.

In recent years, there have been many cases of their harming farmers' interests. For example, the heads of the County Farm-machinery Management and Service Company embezzled diesel oil coupons and allotted more than 220 tons of diesel oil to the general offices of the county Party committee, county government and the county financial bureau.

Last autumn the higher authorities allotted 30 tons of imported chemical fertilizer to the county to sell to growers of Chinese chestnuts. But the offices of the county Party committee and the county government withheld 2.5 tons each.

Shanghai 'Winning' in Hepatitis Epidemic Battle *OW240128 Beijing XINHUA in English 1546 GMT* 23 Feb 88

[Text] Shanghai, February 23 (XINHUA)—Health officials here appear to be winning the battle against a hepatitis epidemic that has swept through the city.

Wang Daomin, director of the city's Public Health Bureau, said today the number of new cases has dropped by 80 percent compared with the peak in mid-January when 130 people were being hospitalized a day.

Many of those hospitalized have been discharged, he said.

Wang said the epidemic, which was believed to have been touched off by tainted shellfish, still threatens local residents.

But he felt the number of cases would steadily decline as the local government and residents take steps to check the disease.

Central-South Region

Suicide Prevention Center Opens in Guangzhou *OW231204 Beijing XINHUA in English 1145 GMT* 23 Feb 88

[Text] Guangzhou, February 23 (XINHUA)—China's first suicide prevention center has been set up in this capital of Guangdong Province.

The 12 members of the agency, officially called the Pei Ai (foster love) Suicide Prevention Center, will use personal letters, the telephone and the media to counsel disturbed people, as well as face-to-face counselling.

The center aims to work closely with the employers and families of potential suicides, and publish articles on suicide prevention.

Seven of the staff members of the center work at the Guangdong television station, three are handicapped people and the rest work in Guangzhou or the city of Shaoguan.

Chen Haosu, vice-minister of radio, film and television, described the establishment of the center as an "important part of building socialist culture".

He stressed, "even when China becomes highly developed, there will still be some social misfits needing treatment."

Liu Shaoqi's Son Elected Henan Vice Governor
HK240839 Beijing GONGREN RIBAO in Chinese
1 Feb 88 p 2

["People in the News" column by reporters Peng Qiyun (1756 0795 3508) and Han Jiyun (7281 4949 0645): "A Vice Governor Elected on the Direct Recommendation of the Delegates—An Interview with Liu Yuan, Newly Elected Vice Governor of Henan Province"]

[Text] The first session of the Henan Provincial People's Congress concluded on 30 January. At the meeting, Zhengzhou Vice Mayor Liu Yuan was jointly recommended and elected by all the delegates as vice governor of Henan Province, although he was not put up as a candidate.

This time the election of vice governors was held with more candidates than posts. Liu Yuan was not one of the nominated candidates. So, of all people, why did the delegates elect Liu Yuan? It is very simple. They elected him just because of his achievements during his tenure as vice mayor of Zhengzhou City.

Liu Yuan was elected vice mayor of Zhengzhou City in 1984. During his tenure of office of over 3 years, a natural gas project, the first in any city in Henan Province, was built with the concerted efforts of the city's residents. The project provides a gas supply to over 50,000 families, smoothing away their cooking difficulties. In transforming the old city and carrying out urban construction, his achievements were also reflected in his efforts to reform the city's real estate system.

Zhengzhou, the capital of Henan Province, is located at the heart of the motherland. The Beijing-Guangzhou Railroad and the Lanzhou-Lianyungang Railroad cross here, with a population of about 200,000 passing from south to north every day. This has caused the Zhengzhou

Railroad Station and places around the February 7 Memorial Hall to become valuable, commercial centers. To strive to make the best of the centers, a practical proposal was adopted by the city government. With very little money from the government, funds were mainly collected from society, the 3-square-mile old city proper has taken on a new aspect. Additionally, a 35-story building named Huangheping, the highest in the province, was erected, Zhengzhou Shopping Center was built in a unique style, Renmin and Datong Roads, Xinglong and Fushou Streets were renewed, and several thousand families were moved into new apartments. Thanks to the joint effort of thousands upon thousands of people, in only 3 years or so, something which all previous governments desired but failed to do has been successfully done. A modern provincial capital has appeared in embryonic form. At a recent national work conference on urban planning and management, Zhengzhou was commended as an advanced city in urban planning and management.

When asked about his achievements in his official career, the newly elected vice governor, who is a mere 37 years of age, said to reporters: Those achievements are not mine. Without the party's reform and opening up policies and without the trust and support of the masses, I, Liu Yuan, could do nothing even if I was exceptionally capable.

After graduating from Beijing Teachers' College in 1982, Liu Yuan was assigned to work in Henan. In the 6 years since then, he has been deputy head of Qiliying Township, in Xinxiang County, and deputy head of Xinxiang County. By taking root among the masses, he achieved great successes in the development of township and town enterprises and in rural and urban construction and planning. That is why he was elected vice mayor of Zhengzhou City in 1984. When recollecting the past, the son of the late state President Liu Shaoqi said with feeling: "It is the common people who saved me from the 10-year great calamity. The meaning of life to me is to actually do something for the people. If I say that I have done a little for the people in the past few years, it is mainly attributable to the leaders who taught me to do so. As a vice governor I need more help and supervision from the people."

When asked what he intends to do after he takes up the post of vice governor, he said seriously to the reporters: "It is very difficult for me to say anything now. I never expected that I would be elected vice governor. I am mentally unprepared. In point of fact, I was very busy at that time, so I had to ask for 3 days' leave to attend the meeting. What I am thinking about now is still things concerning Zhengzhou City. My future objective is just to help Governor Gao fulfill the 128 tasks set in his government work report. I will conscientiously do my job well, endeavor to do something for the people of Henan, and will never let the delegates down."

The masses are quite aware of what you have done for them and they will never forget it. Through the interview with Liu Yuan, the reporters have come to understand well why the delegates to the provincial People's Congress directly recommended and elected him vice governor of the province.

Southwest Region

Xizang Leaders Attend Reception for Nepalese
HK231254 Lhasa Xizang Regional Service
in Mandarin 1130 GMT 22 Feb 88

[Excerpts] According to XIZANG RIBAO, on the afternoon of 21 February the Lhasa City people's government held a reception at the (Riguang) Guesthouse in honor of representatives of the citizens of the Kingdom of Nepal residing in Lhasa.

Attending the reception were Wu Jinghua, Raidi, Doje Cering, Basang, and Mao Rubai, and responsible comrades from the autonomous regional party and government organizations. The responsible comrades also extended cordial holiday greetings to representatives of Nepalese citizens residing in Lhasa.

The Kingdom of Nepal's consul-general in Lhasa and his wife attended the reception by invitation.

The reception was presided over by Lhasa Mayor Luoga. In his speech Mayor Luoga said: On behalf of the autonomous regional people's government, the Lhasa City government, and people of all nationalities in Lhasa, I would like to extend Tibetan New Year holiday greetings to the consul-general and to all Nepalese citizens residing in Lhasa. [passage omitted]

In his speech Mao Rubai, vice chairman of the autonomous regional people's government, said: Since implementation of the policy on opening up, reform, and reinvigoration, Xizang Region has attached special importance to developing relations with friendly neighboring countries. I firmly believe that friendly Sino-Nepalese relations will achieve still greater development through joint efforts made by the Chinese and Nepalese leaders and peoples in the days to come. [passage omitted]

Letter Read to Xizang Buddhist Monks
HK240644 Lhasa Xizang Regional Service
in Mandarin 1130 GMT 23 Feb 88

[Text] On the morning of 15 February, the Xizang branch of the Buddhist Association of China held a press briefing to announce the agenda of the 1988 Lhasa prayer festival. Nearly 100 reporters from news units inside and outside the Xizang region were present.

The press briefing was presided over by Sengqen Lozong Gyaincain, vice president of the autonomous regional Buddhist Association.

During the press briefing, Living Buddha (Yuzhu Jiang-bai Gesang) announced the agenda of various Buddhist ceremonies as well as their sequence and timetable. He said: The 1988 Lhasa prayer festival will be held from the 7th to the 17th day of the 1st month of the Tibetan calendar. During the prayer festival, there will be antiphonal singing and dance performances given by peasants from (Zhiba) and (Ribadao), and there will also be races, horse racing, and activities of (?giving the correct time).

Next, (Duomin Qingba Luozhu), vice president of the autonomous regional Buddhist association, read publicly a letter to Buddhist monks and Buddhists. The letter says: The prayer festival [words indistinct] will be held soon. Due to the riots created by a small number of people in Lhasa over the previous period, vast numbers of people are paying a good deal of attention to the possibility of holding this year's prayer festival under normal conditions. The riots, created by a small number of people, were political activities aimed at splitting the motherland. Such political activities have nothing to do with normal religious activities. Our party's policy on the freedom of religious belief has been consistent and correct. This policy will not be changed just because of the riots. The prayer festival in the Year of the Dragon will, as always, be held as usual. However, (?evil forces may run wild) for a period of time. Be sure not to miss this good opportunity to abstain from evil practices and to do good works.

The letter notes: Buddhist monks attending the prayer festival must be patriotic, love Buddhism, strictly observe discipline, speak frankly and sincerely, do well in promoting all Buddhist ceremonies, enable Buddhists to (?show reverence for them), and set good examples for other people. Buddhist monks must on no account do evil, nor must they turn themselves into social outcasts. In these days of (?prayer) and joy, the vast numbers of Buddhists must also do their best to do good works and to abstain from evil practices. By so doing they can enable the radiance of Buddhism [words indistinct] to light up the roof of the world. It is imperative to work hard for bringing happiness and everlasting joy to all living creatures.

At the press briefing, (Cemulin Danzhen Qieliang), vice president and secretary general of the autonomous regional Buddhist association, discussed the condition of preparations made for the 1988 Lhasa prayer festival.

North Region

Beijing, Hong Kong Fear Hepatitis Surge
HK240623 Hong Kong SOUTH CHINA MORNING POST
in English 24 Feb 88 p 1

[From Seth Faison in Beijing and Mary Ann Benitez]

[Text] Officials in Beijing fear the return of tens of thousands of people from Spring Festival celebrations in Shanghai may cause a mass outbreak of hepatitis in the Chinese capital.

Hong Kong health authorities have sounded a similar warning and are bracing for a surge in hepatitis A cases. Nearly 800 people have been infected since the epidemic began last month.

The Chinese Government is desperate to avoid a repetition in Beijing of the Shanghai health emergency and most employees of the capital's work units have now been given medicine to counter hepatitis infection.

Mayor Chen Xitong personally checked the sanitary conditions in several restaurants and hotels over the weekend, criticizing those found to be sub-standard.

One restaurant, the Spring Banquet House, was singled out as endangering the city with its filthy kitchen. Its owner was fined \$2,100 on the spot.

Passengers arriving by plane from Shanghai are now checked for hepatitis symptoms at Beijing airport and sent to hospital immediately if found positive.

While the number of hepatitis cases in Shanghai is feared to have climbed to more than 300,000 [as published], no official figures have been released.

"There is no outbreak yet in Beijing, but everyone is getting very concerned about it," an international health official admitted yesterday.

Many Beijing residents have boycotted food prepared in Shanghai since the start of the hepatitis A out-break.

Hotel managers are also complaining that tourist groups have been cancelling reservations every day — whether or not Shanghai was on their tour itinerary.

"The worst thing is that some people, once they know they've been infected, choose to eat in restaurants so they won't infect their family," said a Chinese official.

Both the city administration and the national State Council have met several times to map out a strategy to contain the spread of the disease.

There is no vaccine for hepatitis A, but a traditional Chinese medicine known as banlangen—which is normally used to prevent colds—has been distributed widely.

In Hong Kong, 30 new viral hepatitis cases were reported yesterday, a sharp increase in the rate recorded immediately before the Lunar New Year.

And Government doctors fear that thousands of the 1.3 million Hong Kong people who flocked to the mainland last week might have been exposed to the disease.

A spokesman for the Medical and Health Department, Mrs Juliana Ma, said infected people returning from China could cause a renewed outbreak of the disease.

Northeast Region

Heilongjiang's Sun Inspects Family Planning
SK240511 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 23 Feb 88

[Excerpt] Today, leading comrades of the provincial party committee and government, including Sun Weiben, Hou Jie, and Huang Feng, in the company of (Zhang Ying) and (Liu Xie), deputy director of the Family Planning Commission, went to Harbin No 1 Tool Plant, (Zhoujia) town of Shuangcheng County, and (Dongfeng) town in the (Taiping) District of Harbin City, respectively, to inspect family planning work. They also visited local family planning work cadres, and families who have married and given births late, and those who have only 1 child.

After applying the contract system to its management, Harbin No 1 Tool Plant has continued to pay attention to planned birth, late marriage and late child birth, and production simultaneously. Sun Weiben, secretary of the provincial party committee, praised this policy. Sun Weiben said: To achieve success in family planning work, and in late marriage and late child birth, industrial and mining enterprises should first solve the problems in their leading cadres understanding. Only when the leading cadres enhance their understanding can they attend to the production of people and the production of goods simultaneously.

Comrade Sun Weiben arrived at the plant this afternoon. Harbin No 1 Tool Plant is a plant producing complicated cutting tools staffed with nearly 10,000 staff members and workers. Last year, its one-child certificate issuance rate, late marriage rate, and overall birth control rate of its staff members and workers all reached 100 percent. This brought the plant national advanced unit status. Sun Weiben expressed much satisfaction with the plant's achievements in family planning, and late marriage and late child birth. He urged the plant to adopt encouraging policies toward appraisal of advanced persons and distribution of housing so that its staff members and workers can take the initiative in carrying out family planning, late marriage and late child birth. [passage omitted]

Indirect Trade With Taiwan Increases in 1987

*OW240810 Beijing XINHUA in English 0801
GMT 24 Feb 88*

[Text] Hong Kong, February 24 (XINHUA)—China's mainland and Taiwan logged 11.82 billion Hong Kong dollars (1.5 billion U.S. dollars) worth of indirect trade in 1987.

This figure represents a 58.6 percent increase over 1986, local papers reported, adding trade across the Taiwan Strait via Hong Kong has climbed at an annual average rate of 10 percent between 1984 and 1987.

Of the mainland commodities entering Taiwan via Hong Kong last year, 38 percent were unprocessed animal products like bristles and feathers and textiles made up 20 per cent. Seafood, chemicals, nonferrous metals, toys and raw materials for jewelry accounted for the rest.

Goods from Taiwan sold to mainland through Hong Kong were mainly textiles, light industry machinery, telecommunications equipment and photographic facilities.

According to local reports, because of pressure from the United States' protectionist policies and the appreciation of the Taiwan dollar, trade with the mainland is now more important to the island.

'New China Policy' on Trade, Exchanges Reported
HK240606 Hong Kong AFP in English 0555 GMT
24 Feb 88

[Text] Taipei, Feb 24 (AFP)—Taiwan is to relax trade restrictions with China and allow cultural and sports exchanges in a new mainland policy to be worked out by the ruling Kuomintang (KMT), the UNITED DAILY NEWS reported here Wednesday.

This "new China policy" is aimed at building a foundation for reunification with the mainland, by showing people there the superiority of Taiwan's economic and political system and forcing China to denounce communism, the paper said.

KMT leaders have decided in principle to invite Chinese students studying abroad to visit Taiwan, and are considering allowing Taiwanese to make tourist trips to the mainland and establishing channels for joint cultural, academic and sports activities, the mass-circulation Chinese daily reported.

It also said the ruling party would further liberalize indirect trade with China, but did not elaborate.

The KMT government, which claims sovereignty over all of China, has permitted Taiwan citizens to trade with the mainland through third parties, but bans them from approaching Chinese officials for business deals.

The report followed a press conference Monday by President Li Teng-hui during which he took an intransigent line on reunification and summoned China to drop threats that it could use force to take back Taiwan.

"The government will not be involved in any people-to-people exchanges or activities, no contacts (with Beijing) no talks and no negotiations is our government's existing policy and it will not change," he said.

Mr. Li, who took over as president after the death of Chiang Ching-kuo on January 13, said the KMT would review its decision in November to allow local residents to visit the mainland via third points for family reunions.

And he said the government did not plan any immediate expansion of indirect trade with China or direct investment in the mainland.

The UNITED DAILY NEWS said details of the new measures would be finalized at the KMT's 13th Congress scheduled for July.

The Congress would also discuss political and party reforms, including revision of the party charter to add the seat of vice chairman and re-define the 94-year-old KMT as a democratic party instead of a revolutionary one.

Premier Yu Kuo-hwa said Tuesday that some 15,000 people had visited the mainland since Mr. Chiang removed the 38-year-old travel ban. Beijing put the number of visitors from Taiwan last year at 89,000, up 180 per cent over 1986. Commenting on the newspaper report, a high-ranking KMT official said whether authorities would expand liberalizations with China depended on discussions in the congress and no decisions had been made so far.

Enhanced Third World Economic Ties Sought
OW240753 Taipei CHINA POST in English
16 Feb 88 p 12

[Text] The Republic of China [ROC] is planning to make use of its economic power to strengthen trade ties with Third World Countries in a bid to breakthrough its diplomatic bottleneck, the CHINA TIMES reported yesterday.

The Board of Foreign Trade and the China External Trade [Development] Council [CETDC] have decided to make joint efforts to send trade delegations abroad with the aim of exchanging trade offices with developing countries in Southwest Asia, Africa and Latin America.

Among the countries with which the nation intends to promote trade ties are India, Bangladesh, Turkey, Pakistan, Brunei, Egypt, Morocco, Kenya, Sudan, Brazil, Chile, Argentina, Mexico, Peru, Colombia, Spain and Portugal.

According to an initial plan, two missions are to be sent to the Mediterranean and Caribbean regions in the first half of this year, while three others are scheduled to visit North Africa and Southeast Asia, a trade official said.

To promote trade relations with these countries, the authorities concerned would have to solve remittance, visa processing and communication problems, he said.

According to CETDC statistics, bilateral trade between the ROC and 11 developing countries totaled US\$1.6 billion in 1987, up 86 percent from the 1985's figure. The growth rate was 13 percentage points higher than the nation's overall foreign trade increase.

Analysts said the semiofficial CETDC has been playing a very active "behind-the-scene heroic role" in promoting trade relations with the Third World nations which have distanced themselves from the ROC for fear of offending Communist China.

A CETDC official recalled that he had to pose as a manager of a private enterprise and as a corrupt customs official to obtain visas in some unfriendly countries.

Under mounting domestic pressure to rejoin international organizations, the authorities concerned have come up with the idea of "fighting a diplomatic warfare with economic muscle."

In the past two years, the nation has established trade offices in Turkey and Brazil, and is going to set up another in Egypt within the next three months.

Yu Presents FY89 Budget to Legislative Yuan
OW231257 Taipei CNA in English 1004 GMT
23 Feb 88

[Text] Taipei, Feb. 23 (CNA)—Premier Yu Kuo-hua said Tuesday morning that the government and state enterprises plan to spend NT \$330 billion in public investments in fiscal 1989, beginning July 1, to increase domestic demand. This represents a growth of 14.4 percent over the current fiscal year. Yu made the remarks in his oral administrative report delivered at the opening of the 81st session of the Legislative Yuan.

In an initiative draft budget proposal for fiscal 1989 with expenditures totaling NT\$560 billion, Yu said, significant increases in spending are also planned for education and culture, accounting for 13.7 percent of the total, and social welfare and environmental protection, taking up 17.8 percent. On the other hand, defense spendings weight will be reduced from the current year's 34.2 percent of the total to 33.6 percent. Yu said that the new proposal reflects the increasing importance the government attaches to culture, education and welfare as well as economic development.

The premier said that the new legislative session should find inspiration in beginning just as the country ends the mourning for President Chiang Ching-kuo. "It is a time for us to rededicate ourselves to ushering in a new era in the history of the Republic of China," Yu said.

The smooth succession of President Li Teng-hui, Yu said, shows that the country is well on its way to the constitutional democracy envisioned by the late president.

As a result of the dedicated efforts made by President Chiang, Yu said, the country has been able to show the world that a reliable constitutional democratic system and framework exists here, ensuring long-term stability. He said it also shows that the country will remain in the democratic camp while making efforts to recover the mainland, and that there is a consensus among the people to ensure stability in coping with any difficulties that arise.

Yu said that in order to fulfill the late president's wishes, government policy must be guided by two major principles: Opposing communism and promoting democracy, and implementing the rule of law to ensure national security and social stability.

The premier pledged to continue to carry out political reforms and to make government policy more attuned to public opinion and the people's needs.

Turning to the economy, Yu said the country made remarkable achievements last year with an economic growth rate of 11.2 percent. In addition, the wholesale price index dropped by 4.4 percent, productivity increased by 9.8 percent, and the unemployment rate was kept at 1.98 percent. And despite the appreciation of the New Taiwan Dollar by more than 25 percent against the U.S. dollar, the country's foreign trade totaled \$88 billion, up 37.7 percent from 1986 and leaving a surplus of \$19 billion.

As for this year, Yu said, the economy is expected to grow by 7.5 percent.

Yu said that the government will continue to upgrade its industry, increase public investment, diversify export markets and narrow the trade gap with the country's major trading partners.

Yu said the country must accelerate the pace of internationalization and liberalization of its economy as it takes on a more important role in international community.

Turning to the international situation, Yu said that despite the agreement on the dismantling of medium-range nuclear weapons signed by the U.S. and the Soviet Union in December, conflicts remain in Afghanistan, the Persian Gulf, Nicaragua and Cambodia, attesting to the fact that the communist camp has not given up its expansionist policy.

On the other hand, Yu said, the U.S. has yet to totally awaken from its dream of playing Peiping off Moscow despite a cooling of relations between the U.S. and Communist China.

Yu said that Peiping regards the ROC as a burr in its side because development in Taiwan has stimulated the mainland people's aversion to the communist regime.

Besides threatening to use force against Taiwan, Yu said, Peiping has never ceased its efforts to isolate the ROC internationally. Uruguay's recent decision to switch its diplomatic recognition to Peiping, he said, was a good example of such designs.

Nevertheless, Yu said, the ROC has won international respect. The country, he said, will meet challenges from Communist China head on and will take a more flexible stand to protect its national interests and dignity.

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